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REPORT FROM THE COMMISSION TO THE COUNCIL

MEDIUM-TERM PROJECTIONS OF
SOCIAL PROTECTION EXPENDITURE AND ITS FINANCING

1986 PROJECTIONS - SUMMARY REPORT

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NOTE

Contents of separate volume containing national reports :

1. Legislative change from end 1981 to 1 May 1983
2. Data for 1981 and 1986 : receipts
expenditure
demographics
replacement ratios

PART I

CHAPTER ONE

INTRODUCTION

On 28 July 1978 the Commission sent the Council a report on 1980 projections of social expenditure and its financing, together with the national reports on which it was based.

The Council expressed its satisfaction with the work accomplished and acknowledged the value of the document submitted. The Council went on to request the Commission, in cooperation with governmental experts, to evaluate the experience gained during the preparation of the report and to come back with proposals for a further stage of the work.

The Commission services submitted proposals for a four-year work programme, which were accepted by the Council in December 1982 (1).

This programme is designed to provide those responsible - at Community and at national level - with regular information on medium-term trends in social expenditure and its financing, particularly its major component : social security, including the cost implications of Community proposals in this field, especially those designed to improve the employment situation (such as flexible retirement).

The programme consists of :

1. Annual summary reports
2. Priority policy analyses

to be drawn up by Commission services. The results of the analyses will be examined notably in the framework of concertation in the social security field, set up by Council resolution in January 1974.

This document consists of the annual summary report on 1986 projections (2) compared to 1981 the year for the most recently available statistics. (The national reports on which this document is based may be obtained on request from the Commission, subject to budgetary constraints). The economic assumptions underlying the 1986 projections were developed by the Commission's econometric model (COMET).⁽³⁾ Demographic and other assumptions were developed at national level. The projections in this report do not necessarily reflect official national views, which may be based for example on other economic assumptions (4). Finally, certain differences for 1981 between the data in this report and those published by the Statistical Office of the European Communities are largely due to the inclusion of capital expenditure or fiscal benefits here.

(1) COM(81) 661 final.

(2) Based on legislation at 1st May 1983. The use of constant legislation implies that the 1986 data are projections rather than attempts at realistic forecasts.

(3) Doc. 11/39/84.

(4) The French authorities insisted, as a condition of providing data, that their disagreement with the economic assumptions provided by the Commission's services be noted. These assumptions are set out in Appendix B to this report.

CHAPTER TWO

RECEIPTS

In view of the economic difficulties which have been a chronic feature of the period since the first oil price increase, information on the sources of finance providing the receipts funding social protection expenditure is useful, particularly projected to 1986.

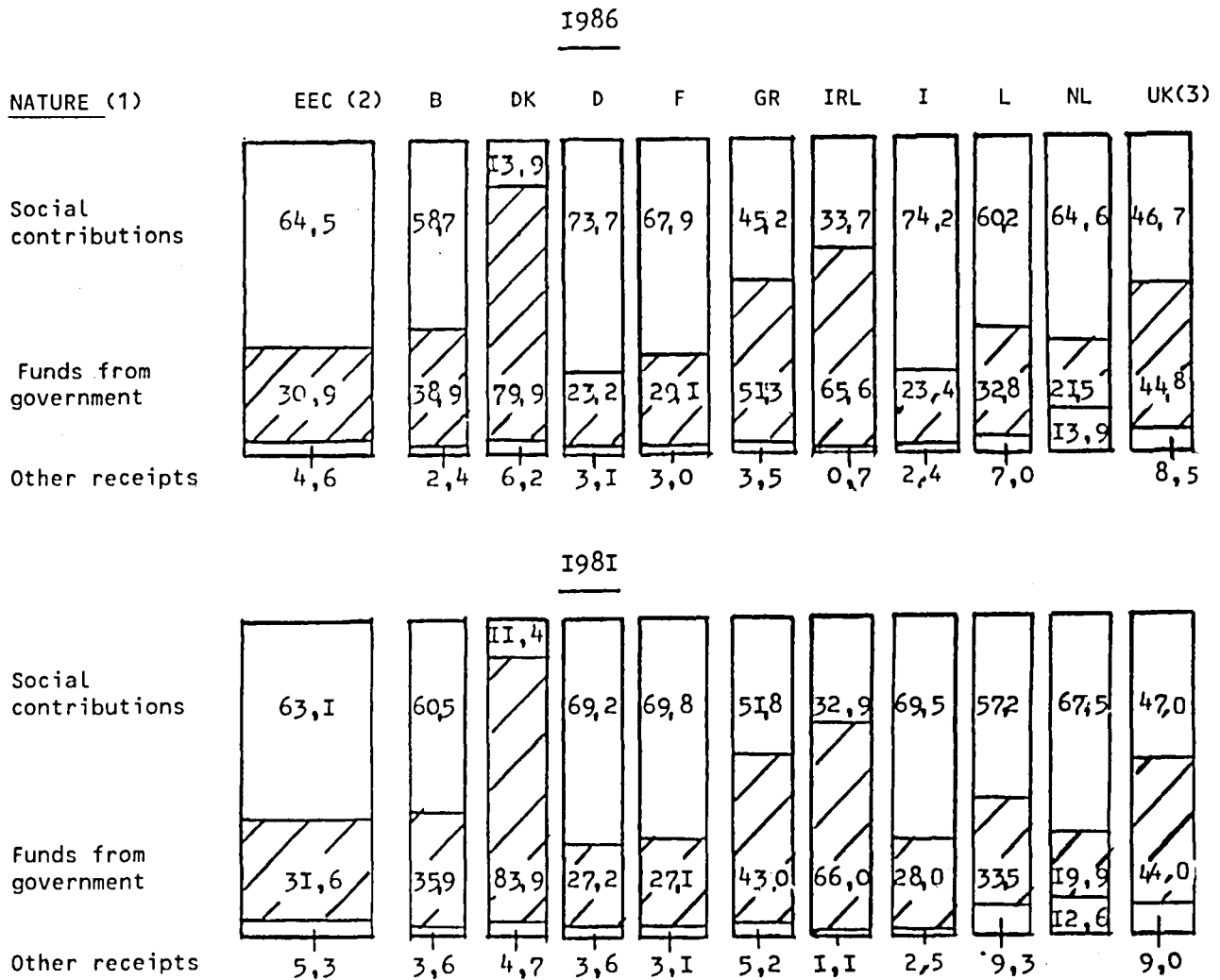
These sources of finance may be analysed by two main classifications : according to their nature (contributions or funds from government mainly), or by their sector of origin (enterprises, government, households mainly). It is important to bear in mind that the results relate to moneys which finance both social welfare schemes and health care. In some countries, the United Kingdom for example, health care is almost totally financed by funds from government, but the social security scheme is mainly funded via contributions, from enterprises and households. In the aggregate figures on receipts presented here, such a situation is to some extent disguised.

2.1 Nature of receipts

a. Structure

Social contributions are projected to make up almost two-thirds of receipts in the Community in 1986, with funds from general government less than one-third. The data imply a slight increase in the share provided by contributions, compared to 1981, as shown in the chart below :

Chart. 2.1.- Nature of receipts : percentage structure



At national level, the great difference can be seen between Denmark - which relies mainly on funds from government and very little on contributions - and countries such as the Federal Republic of

Germany and Italy. In 1986, under half of receipts are projected to be provided by contributions in Denmark, Greece, Ireland and the United Kingdom.

b) Trends

The above picture shows the final percentage position in 1986 but not whether the change from 1981 is a result of one part increasing while another decreases, or because both increase or decrease, but one part

(1) The classifications in this report are defined in the "European system of integrated social protection statistics: Methodology - part I", Eurostat, 1981.

(2) The EEC data is an addition of each country's amount in ECUs. For 1986, the latest available exchange rates were used (May 1984).

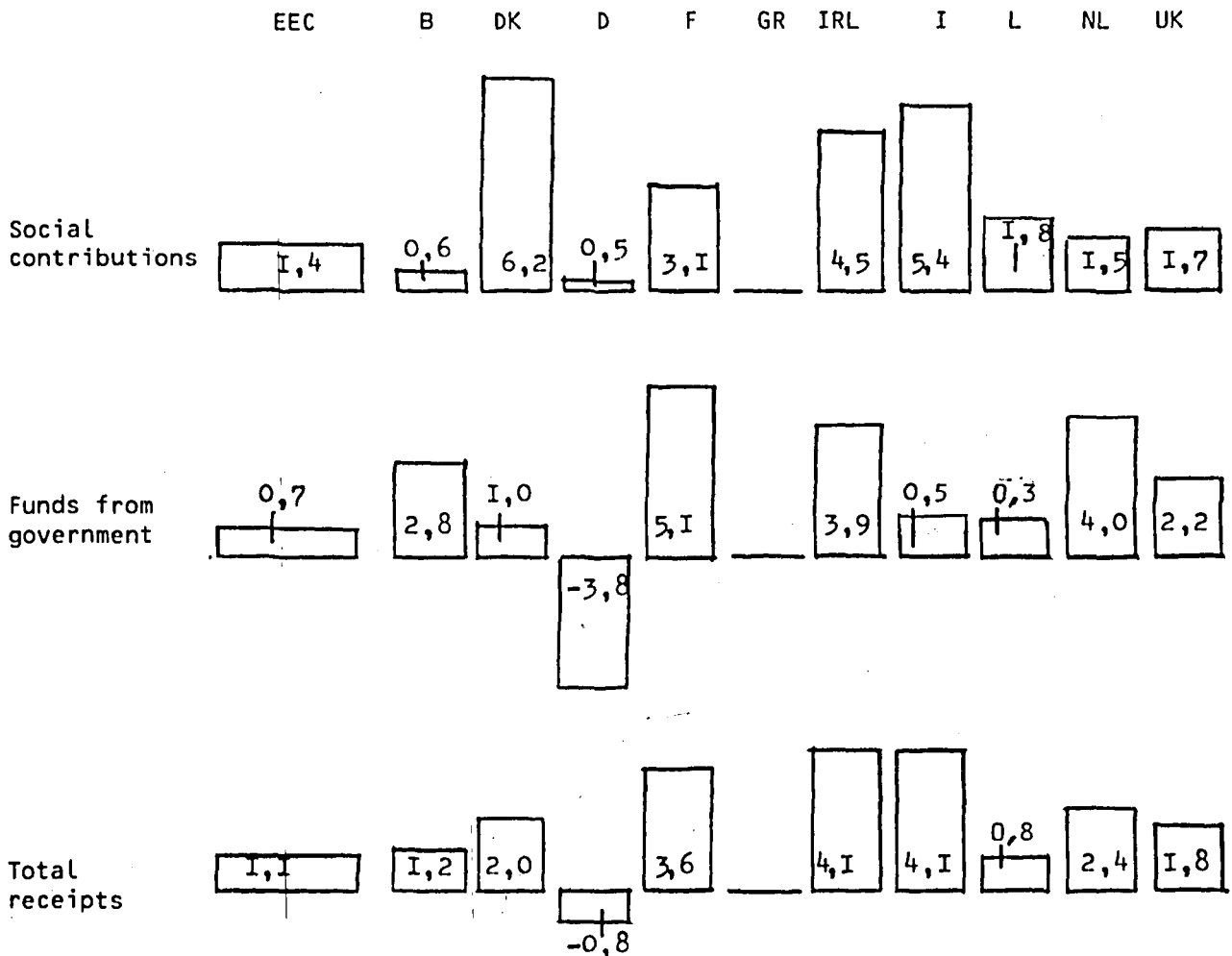
(3) UK data refer to financial not calendar years (eg. 1st April 1981 to 31st March 1982).

more than another. A more complete picture of the projected changes to 1986 can be seen in the chart below, which enables a comparison of average yearly changes over the period adjusted for differences in inflation between countries (using the consumer price index). Since the scale used is the same for each constituent of receipts, comparisons can also be made for any one country between each type of receipt.

The chart shows that for the Community as a whole, total receipts are projected to increase by 1.1% on average each year in real terms, but the size of this increase was due to the 1.4% rise in social contribution, compared to only a 0.7% rise in funds from government. In all countries, a rise in social contributions is projected to take place in real terms, and the same applies to funds from government except in the Federal Republic of Germany. The increase in social contributions is seen as greater than for funds from government in Denmark, the Federal Republic of Germany, Ireland and Italy, but lower in Belgium, France, the Netherlands and the United Kingdom.

Chart 2.2 - Nature of receipts - Average yearly changes 1981-1986

(adjusted for projected inflation)



2.2 Social contributions in more detail

Contributions are collected from employers and from persons protected by health and social welfare schemes, reflecting their origin in insurance principles. "Employers" here include both the private sector and the state as employer. "Protected persons" include employees, pensioners and the self-employed, for their own contributions. In 1986, employers are projected to provide just under two-thirds of contributions, compared to just over one-third from protected persons. Employers may provide both "imputed" contributions as well as those in the form of actual payments to a social security agency. "Imputed" contributions are the counterpart or value of benefits provided directly by employers to their staff

In the Community "actual" contributions from employers account for just under half of all contributions, with about one sixth "imputed". Employees provide just over a quarter of all contributions. The table below also sets out the picture projected for 1986 at national level.

Table 2.1 Nature of social contributions : percentage structure

1986

<u>Social contributions</u>	EEC	B	DK	D	F	GR	IRL	I	L	NL	UK
	%	%	%	%	%	%	%	%	%	%	%
Employers	65,7	67,6	74,2	57,9	70,0	49,0	65,3	78,4	57,3	45,8	65,0
actual	48,5	48,8	35,0	36,5	57,6	:	42,1	56,2	42,9	40,7	49,5
imputed	17,2	18,8	39,2	21,4	12,4	:	23,2	22,2	14,4	5,1	15,5
Protected persons	34,3	32,4	25,8	42,1	30,0	51,0	34,7	21,6	42,7	54,2	35,0
employees	26,3	25,1	25,6	31,5	23,3	:	:	13,6	37,2	40,8	32,8
self-employed	4,6	6,3	0,2	1,5	6,7	:	:	8,0	5,0	4,6	1,5
pensioners or others	3,4	1,0	-	9,1	(*)	:	:	-	0,5	8,8	0,7
TOTAL	100	100	100	100	100	100	100	100	100	100	100

(*) Included above in "self-employed".

The major changes projected for 1986, compared to 1981, are firstly a slight but significant reduction in the proportion projected to be provided by employers in every Member State,

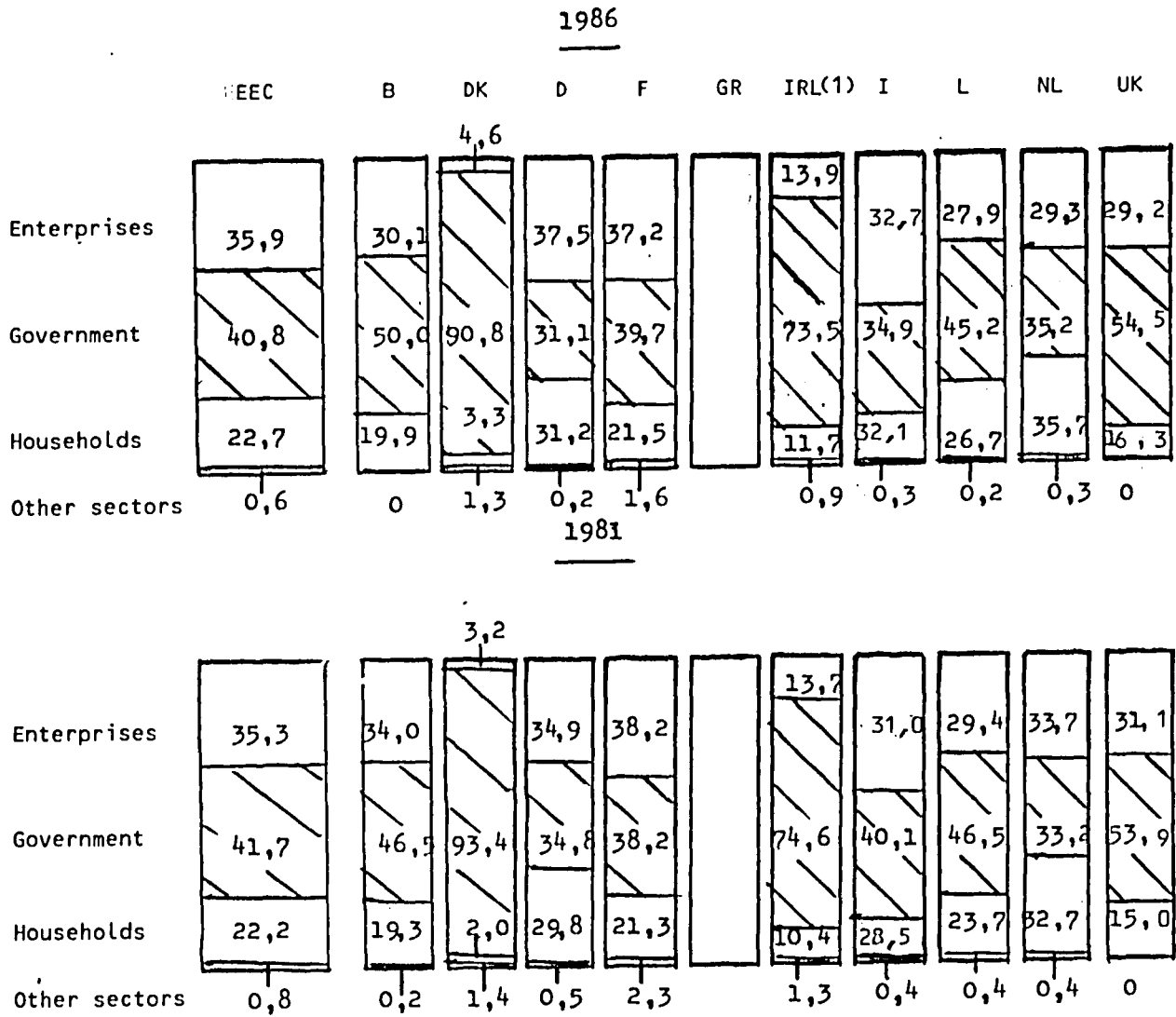
Similarly, protected persons will provide slightly more in 1986, increases coming both from employees and the self-employed, except in the projections for France. No common pattern can be seen in the share via funds from government : this will decrease in Denmark, the Federal Republic of Germany and Italy but increase in France, the Netherlands and the United Kingdom (for 1981 data see table 3 in Appendix A).

2.3 Sector of origin

a. Structure

Looking at receipts according to their sector of origin distinguishes the enterprise sector from the state as employer paying contributions. (The enterprise sector in principle includes both private and public enterprises but in certain countries some activities are still classified as government). Enterprises provide directly just over one third of all funds, households just over a fifth, with the government sector providing over two-fifths. The majority of funds pass through central government, but a significant minority are controlled by local government. A slight decrease in the share of funds provided by government is projected, compared with 1981, as shown in the chart below.

Chart. 2.3. - Receipts by sector of origin : percentage structure



(1) The data for Ireland under the "enterprises" sector do not include most private sector occupational sick pay and pension schemes.

Taking the share provided by enterprises first, two different patterns emerge : a lower proportion in Denmark and Ireland compared to other countries , and slightly more in Italy.

Conversely, government is projected to be the major source of funds in Denmark and Ireland, as well as in the United Kingdom, reflecting the high level of state-provision of health care. An important proportion of state funds are provided by local government in Denmark (over a third), with over 5 % also in the Netherlands and the United Kingdom (see Tables 1 and 2 in Appendix A).

The household sector also directly provides a smaller proportion in Denmark, Ireland, the United Kingdom and also Italy. It provides a higher proportion, around a third, in the Federal Republic of Germany and the Netherlands.

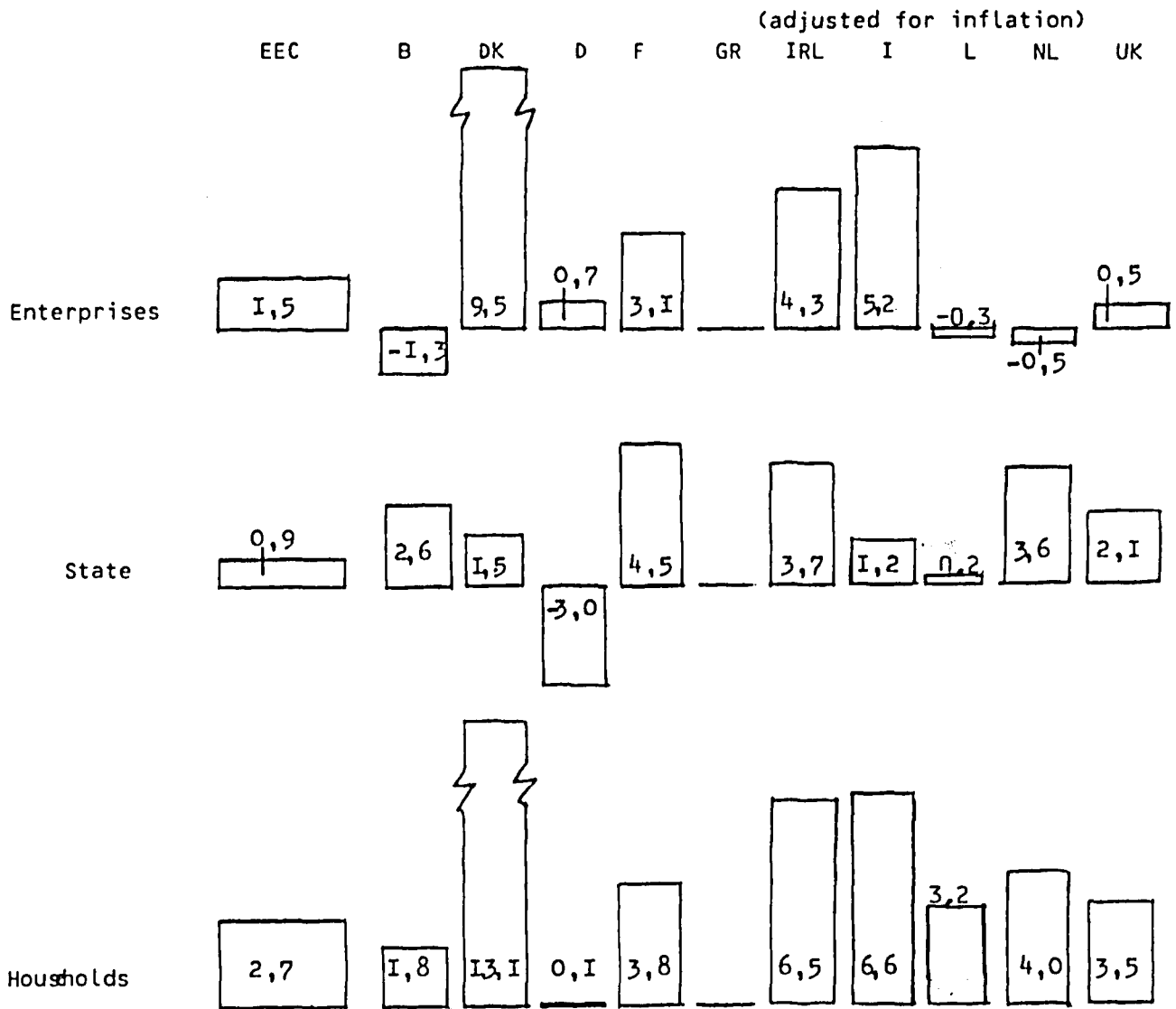
The main projected changes between 1981 and 1986 show up national differences. Certain countries project reductions in the proportion of funds provided directly by enterprises : France, the Netherlands and the United Kingdom. In other countries, their share is projected to increase : Denmark, the Federal Republic of Germany, Italy. As well, the role played by the government sector is projected to fall in the former two countries, but rise in France, the Netherlands and the United Kingdom. Direct contributions from households increase in all Member States although only slightly in Belgium and France (for more details see tables 1 and 2 in Appendix A).

b. Trends

A closer look at changes between 1981 and the position projected for 1986 is presented in the chart below, showing average yearly changes over the period, adjusted for inflation to allow comparability. Compared to the picture for total receipts given in chart 2.2 above, it can be seen that receipts from the government sector are projected to increase more slowly than from enterprises, with households carrying the main burden of the increase, in the Community as a whole.

At national level, different trends are reflected in the projections. In Belgium, the Netherlands and the United Kingdom receipts from enterprises are projected to reduce in real terms, while Denmark, the Federal Republic of Germany and Italy seem to be projecting a reduction in state funding.

Chart 2.4 - Sector of origin - Average yearly changes 1981-1986



CHAPTER THREE

EXPENDITURE

3.1 Social protection expenditure and benefits

Before examining each function covered by social protection, it is appropriate to note that not all social protection expenditure goes directly on benefits received directly by persons. The reasons are, firstly, that expenditure on capital equipment takes place as well as expenditure on current needs, this sum making up the total of social protection expenditure :

$$\begin{array}{r} \text{current expenditure} \\ + \text{ capital expenditure} \\ \hline = \text{ social protection expenditure.} \end{array}$$

The relative importance of this capital expenditure will be discussed later in this chapter.

As well, current expenditure may be further sub-divided into three categories : social benefits actually received by beneficiaries, the administrative costs of running the schemes, other current transactions. The relative importance of these categories can be seen in the table :

Table 3.1 shows that administrative costs made up under 5 % of total current expenditure, ranging from 4,6 % to 2,5 % according to the country. Small but significant reductions are projected for Belgium and France compared to 1981, with an increase in Denmark, Italy and the Netherlands. It should be remembered that this total of administrative costs may embrace very different percentages according to the type of scheme, with social aid schemes generally requiring much greater administrative costs than insurance schemes, as a percentage of benefits. "Other current expenditure" makes up a residual item of amounts difficult to classify elsewhere, usually less than 1 % of total current expenditure, except in Italy.

3.2 Social expenditure and gross domestic product

Direct comparisons of total expenditure are not very revealing because of differences in population size, and in the purchasing power of money sums. These problems can be partly overcome by expressing social protection expenditure as a ratio of gross domestic product (GDP) as in table 3.2 below.

Table 3.2 Social protection expenditure as a percentage of G.D.P.

	<u>EEC</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
1986	28,8	31,2	29,8	27,4	31,0	23,3	25,4	26,3	28,0	36,6	27,8
1981	27,2	29,4	30,7	29,4	27,4	16,0	23,8	25,3	26,3	31,7	23,4

The figures show that the EEC ratio of 27,2% in 1981 is projected to increase slightly to 28,8 % in 1986. Appreciable differences occur between Member States, but the 15,7% gap between the lowest and the highest figures in 1981 reduces to 13,3% in 1986. The ratio is projected to increase significantly in France, Greece, the Netherlands and the United Kingdom, with falls projected for Denmark and the Federal Republic of Germany. It should be noted that data for Ireland do not include occupational pensions or sick pay.

The above comparisons do not separate benefits in cash from benefits in kind. Such a separation is given in the following table, which indicates considerable differences between countries.

Table 3.3 Social protection benefits in cash and in kind as % of G.D.P.

	<u>EEC</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
<u>1986</u>											
Cash	19,7	23,8	17,9	17,4	20,4	:	15,9	19,1	21,1	28,2	19,8
Kind	7,8	5,9	11,1	8,7	9,2	:	8,1	5,5	6,9	6,9	6,8

<u>1981</u>											
Cash	18,1	22,3	18,2	18,4	17,7	:	13,4	17,3	20,2	23,9	16,3
Kind	7,7	5,7	11,6	9,6	8,2	:	8,9	6,1	6,1	6,6	6,1

The table shows that whereas benefits in kind are projected to increase only slightly from 1981 to 1986, cash benefits provide the major source of increase.

3.3 The functions of social protection benefits-overview

The differentiation of benefits into separate "functions" or "risks", in insurance terms, is based on a comparable methodological framework which serves as the basis for national statistics and projections. Certain overall headings may be distinguished :⁽¹⁾

- Health
- Old age (including survivors)
- Maternity/Family
- Employment (incl. promotion of employment and unemp-oyment)
- Housing
- Miscellaneous.

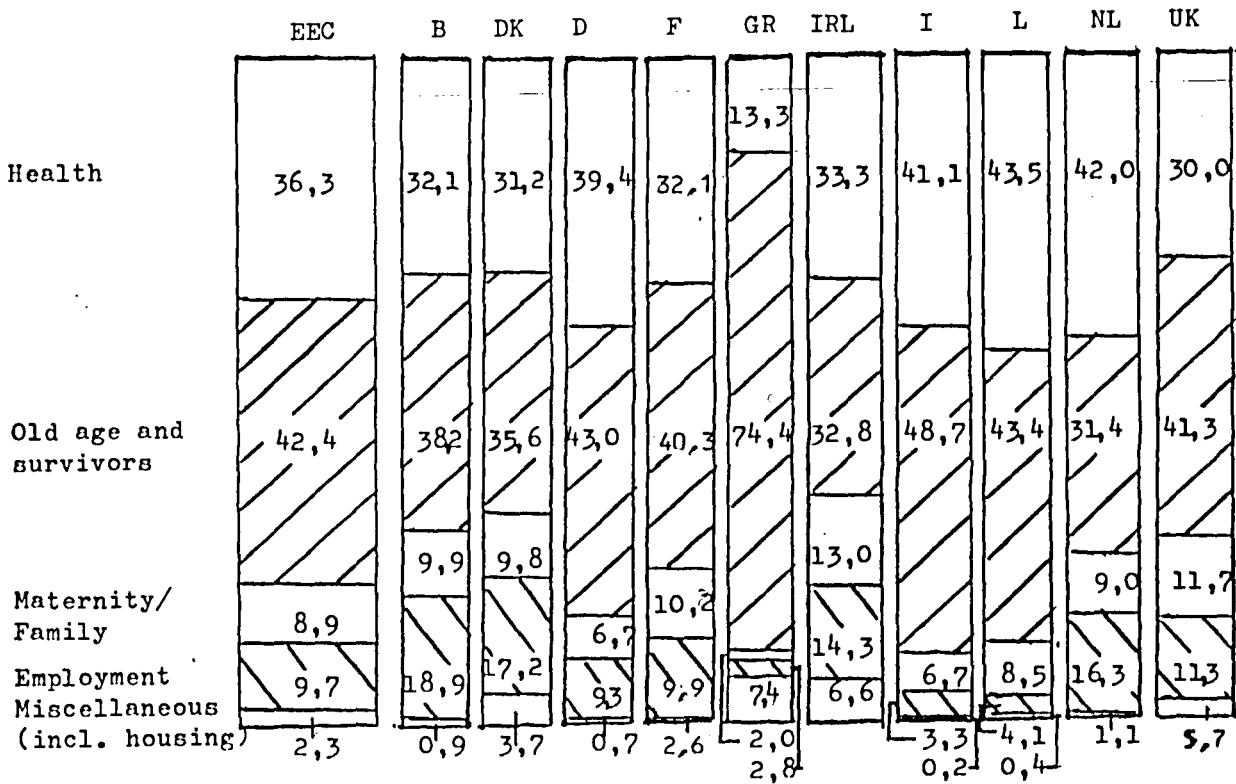
a. Structure

The following chart shows the relative importance of these functions in the total of social protection benefits :

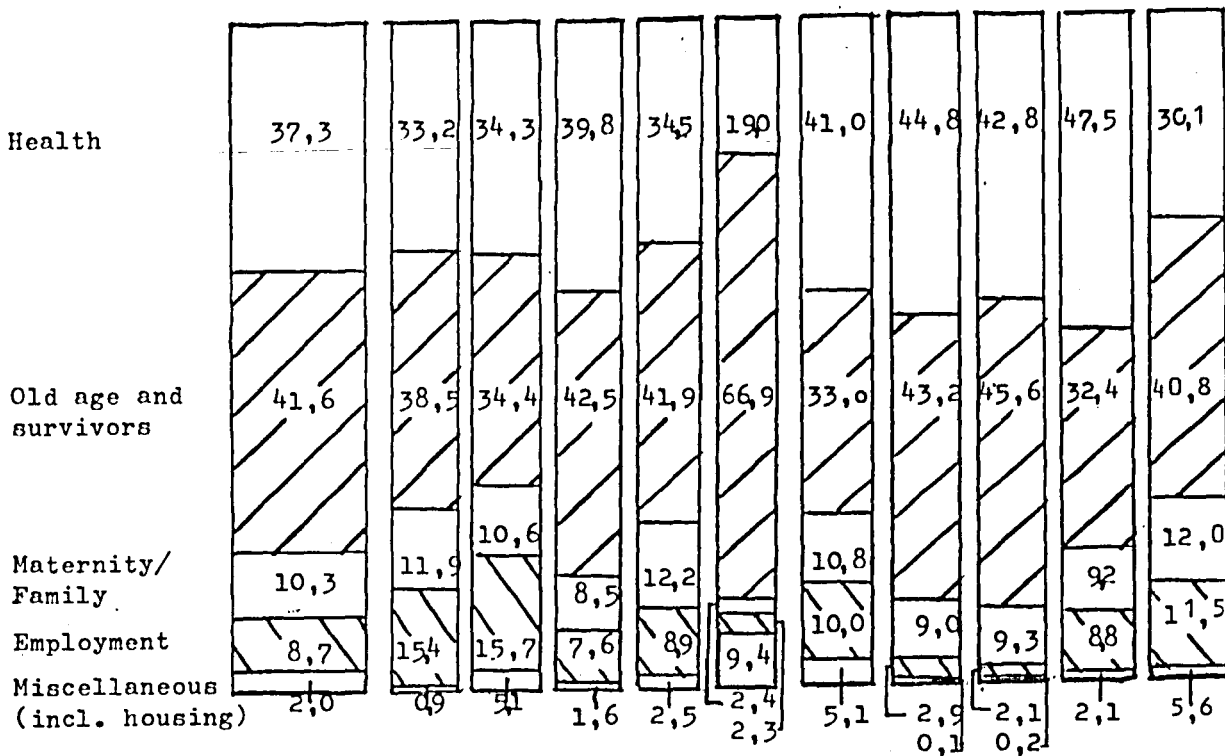
⁽¹⁾ See Appendix D for definition of functions.

Chart 3.1. Social protection benefits by main function : percentage structure

1986



1981



It can be seen that the two functions "Health" and "Old age" are the two most important functions of social-protection benefits, taking between two-thirds and four-fifths of the total depending on the country. Although the total EEC picture would seem to show relatively little change in the 1986 projections, Ireland, Denmark, Italy and the Netherlands project significant falls in the share of health benefits. Only Italy projects a significant rise in the share of old age benefits. An overall fall in the share of "Maternity/Family" benefits can be seen, with the exception of Ireland.

The opposite occurs for the function "Employment", not a surprise in view of the assumptions for the rate of unemployment. An increase in all countries - except for the United Kingdom - is projected in the share of this function. The relatively small share in of this function in Italy is noteworthy, with 2,9 % in 1981 and 3,3 % in 1986.

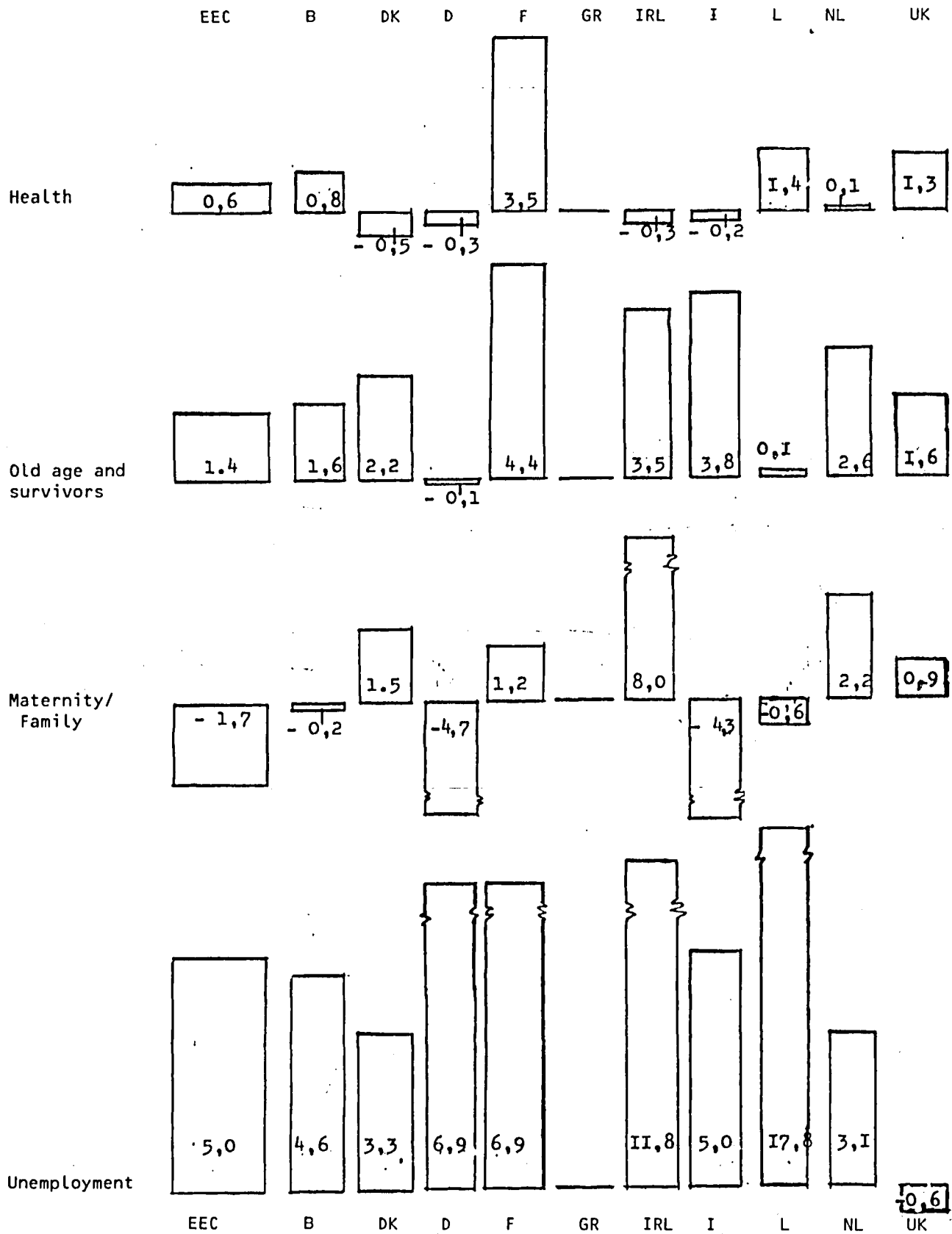
b. Trends

The following chart gives a more vivid illustration of the projected trends by attempting to show rates of change shorn of the differing rates of inflation, using constant prices by reference to the consumer price index. It should be noted that functions having a relatively small share can be influenced much more strongly by policy and legislative changes than programmes involving a much greater commitment of trained personnel and other resources.

The advantage of this presentation is that it not only enables comparisons between countries, it also shows up for the same country the differences in rates of change among the main functions.

The increases are greatest for the function 'unemployment' for all countries except the United Kingdom where a decrease in expenditure in real terms is projected. Several countries project decreases in real terms for the function "Maternity/Family", and for "Health". The next section will examine in more detail benefits in the above main functions.

Chart 3.2. Main functions of social protection benefits: average yearly percentage change (adjusted for inflation)



3.4 Fiscal benefits

In order to obtain comparable data for the different countries of the Community, it is important to take account of the different ways in which social protection benefits are delivered to beneficiaries. Previous sections have referred to social protection benefits in cash and kind (including other benefits in the form of goods and services, essential if a worthwhile comparison is to be made in particular between countries with a national health service and those where consumers pay first before reimbursement). Taking cash benefits, it is only benefits directly paid which are included, but a person who pays taxes may have his or her disposable income increased via a "fiscal" benefit, which allows a reduction in the amount of taxes paid. Since this represents a loss in receipts for the State rather than extra expenditure, it would not be included in data on expenditure and receipts. It was therefore necessary to create an extra heading in order to include such means of increasing the disposable income for reasons of social policy of certain persons or households.

It is however a difficult matter to obtain an accurate idea of the amounts involved and there is much debate about the correct assumptions to use in estimating individual fiscal benefits, as well as whether one can add any such amounts to give a total picture. Certain countries have provided estimates (including totals) for many years while others are not prepared at present to give a single indication. Further research would undoubtedly be useful and is continuing at the Statistical Office of the European Communities.

The present report can only give a patchy indication of the amounts likely to be involved. No data was provided by Belgium, Denmark, Greece, Luxembourg and the Netherlands; the United Kingdom provided certain figures but no total; France only for "Family"; the Federal Republic of Germany and Ireland both individual items and a total. The United Kingdom felt unable to give 1986 projections for the items estimated for 1981 as likewise Italy.

The available data is presented below, but should be considered very much an approximate guide to the probable amounts involved. Even so, it would seem that any comparison between countries as regards the "Family" function should attempt to include fiscal benefits and the same may apply to the "Housing" function.

Table 3.4 Fiscal benefits expressed as a % of social protection benefits for each function

<u>Country</u>	<u>1981</u>	<u>1986</u>
<u>Federal Republic of Germany</u>		
Health	0,8	0,8
Sickness	0,1	0,1
Invalidity	3,9	3,7
Old Age	1,4	1,6
Family	8,9	3,2
Promotion of employment	6,4	6,6
Total Social Protection Benefits	1,7	1,2
<u>France</u>		
Family	31,5	32,3
<u>Ireland</u>		
Sickness	0,9	1,7
Old Age	4,4	5,2
Family	38,9	27,4
Unemployment	0,9	2,1
Housing	27,0	40,7
Total Social Protection Benefits	5,7	6,9
<u>Italy</u>		
Health	2,0	-
Family	34,3	-
total Social Protection Benefits	4,0	-
<u>United Kingdom</u>		
Sickness	1,7	-
Invalidity	3,4	-
Occupational accidents and diseases	8,5	-
Old Age	7,9	-
Survivors	2,6	-
Maternity	4,8	-
Family	18,1	-
Promotion of employment	4,2	-
Unemployment	10,1	-
Housing	approx. 80 (1)	-

(1) Qualifying interest on loans for purchase of owner-occupied property amounted to around £2 billion in financial year 1981/2, compared with £2.42 billion in housing benefit.

3.5 Capital transactions

Difficulties in calculation also seem to have prevented most countries from giving any data on capital transactions - although they were requested not to do so if the amounts were less than 1 % of total expenditure. It was originally expected that countries with a national health service would have significant amounts under this heading, reflecting for example the construction of hospitals or other social welfare facilities. In most other countries relying on reimbursement of costs or "prices" paid by the consumer, such prices cover all costs incurred in providing the care, both current and capital costs. It is possible that the present need to limit expenditure on health care has greatly reduced the amount of capital expenditure, but it is also likely that this heading, again a relatively recently introduced heading, has not yet been fully defined in certain countries.

As with fiscal benefits, the data available are presented below :

Table 3.5 Capital transactions expressed as a % of current transactions

<u>Country</u>	<u>1981</u>	<u>1986</u>
Federal Republic of Germany	2,2	-
Ireland	1,9	1,5
Italy	1,2	1,3.
United Kingdom	1,4	-

3.6 "Social benefits" and "Social protection benefits"

Is there a difference ?

of national accounts

The term "Social benefits" in Community statistics is a heading in the "Distribution of Income Account" of the European system of integrated economic accounts (ESA), which records all transactions relating to the production process and the generation of income, the distribution and redistribution of income and its allocation between final consumption and saving, as well as capital formation and lending or borrowing the Community (1).

./.

(1) See EUROSTAT "National Accounts ESA".

for definitions.

In national accounts, goods and services are recorded in widely differing ways depending on the type of economic unit which consume them. In a given country, if a private individual consults a doctor, buys medicines on a prescription and then claims reimbursement (1) for his expenditure from the responsible social security institution, the service provided by the doctor and the goods represented by the medicines are described as "market" goods and services, and as such are regarded as having been consumed by the sick person; accordingly, they come under the aggregates "Social benefits" (2) and "Final consumption of households". On the other hand, in a neighbouring country with a national health service which provides the sick person with a medical consultation and medicines (3) free of charge, the reasoning adopted is as follows : since the doctor is remunerated and the medicines are purchased by a general government department, the latter becomes the consumer of the goods and the service, the cost of which then comes under the aggregate "general government consumption" : at the same time, these general government departments set themselves up as producers of "Health services" which in the final analysis accrue to the sick person but which, since they are "non-market" services, cannot be regarded as "Social benefits".

Of course, for the sick person these accounting distinctions are meaningless : he is treated by the same means - a doctor and medicines - regardless of the manner in which the former is remunerated or the latter purchased.

The fact that goods are always of the "market" type means that :

- (a) social benefits other than cash benefits include goods, and market services only;
- (b) other benefits in the form of goods and services provided by the social protection system include goods, market services and all non-market services.

-
- (1) It does not matter whether the reimbursement is total or partial (i.e. whether or not the insured person pays part of the cost of treatment).
 - (2) In order to be classified under "Social benefits", benefits in kind (goods and services) must always be of the "market" type.
 - (3) In fact, in all countries - even those without a national health service - there are goods and services which belong to both categories. The distinction made between these categories is justified solely by the classification, definitions, relations between sectors, etc . used by economic accounting systems as needs dictate.

"Social protection benefits", on the other hand, are defined to measure what the person or beneficiary receives - for example, medical care or medicines - irrespective of the conventional economic description of the methods in which such goods or services are delivered. It covers a wider field than the narrow definition of "Social benefits", by including "Other benefits in the form of goods and services".

It will thus result in higher figures than those in an apparently similar heading in the economic accounts.

The definition, even though it may seem open to the accusation of "exaggerating" the amounts spent on the social services, does have the advantage of providing more comparable figures, in particular between countries with a national health service and those without.

Table 3.6 Social benefits and social protection benefits

<u>Countries</u> (1)	<u>D</u>		<u>F</u>		<u>IRL</u>		<u>IT</u>		<u>UK</u>	
	<u>1981</u>	<u>1986</u>	<u>1981</u>	<u>1986</u>	<u>1981</u>	<u>1986</u>	<u>1981</u>	<u>1986</u>	<u>1981</u>	<u>1986</u>
	%	%	%	%	%	%	%	%	%	%
A. Social benefits	97,4	97,3	98,1	98,4	64,2	69,9	83,4	85,8	74,7	76,6
in cash	65,7	66,8	68,3	68,9	60,3	66,4	74,0	77,5	72,7	74,4
in kind	31,7	30,5	29,8	29,5	3,9	3,5	9,5	8,3	2,1	2,2
B. Other benefits in the form of goods and services	2,6	2,7	1,9	1,6	35,7	30,1	16,6	14,2	25,3	23,4
TOTAL	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

(1) Not all countries were able to provide the necessary data.

CHAPTER FOUR

THE FUNCTIONS OF SOCIAL PROTECTION BENEFITS - DETAILED EXAMINATION

4.1 Health

a. The risks covered

This main function is subdivided into three categories of benefit :

sickness
invalidity/disability
occupational accidents and diseases.

(For detailed definitions, see Appendix D).

Chart 3.1 in Chapter three showed a slight decline in the share of health benefits from 37,7 % (in 1981) to 36,3 % (in 1986) of the total. This trend partly reflects the efforts made in all EEC countries to control the rising costs of health care. It is perhaps relatively difficult to exercise stricter control over expenditure on invalidity or disability and changes in the larger sickness function are likely to occur only slowly, leaving aside the occurrence of epidemics.

Table 4.1 Health benefits : component functions in % (1986)

	<u>EEC</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
	%	%	%	%	%	%	%	%	%	%	%
Sickness	66,4	65,3	72,7	71,2	74,3	50,0	77,7	48,5	54,2	60,6	66,7
Invalidity/disability	27,4	27,3	25,6	20,9	16,7	32,1	20,6	44,5	35,4	39,4	30,3
Occupational accidents and diseases	6,5	7,4	1,7	7,9	8,9	17,9	1,6	7,0	10,4	(*)	3,0
	100	100	100	100	100	100	100	100	100	100	100

(*) Included in invalidity/disability.

The table shows the larger share of health benefits devoted to invalidity in Italy and the Netherlands. Relatively more is spent on occupational accidents and diseases in the Federal Republic of Germany and Italy than in other countries.

b. Cash and kind

An important distinction to be made when looking at health benefits is the difference between benefits in cash and those in kind - health care. Around 60 % of health benefits are in kind, and the preponderance of benefits in kind for sickness contrasts with the opposite situation for invalidity/disability and occupational accidents and diseases, where over three-quarters of expenditure goes on cash benefits.

Table 4.2 Health benefit in cash and in kind : % structure in EEC, 1986

	<u>Cash</u>	<u>Kind</u>	<u>Total</u>
Sickness	19,4	80,6	100
Invalidity/Disability	79,5	20,5	100
Occupational accidents and diseases	76,8	23,2	100
Total, health	39,6	60,4	100

Details of each country's split between benefits in cash and those in kind may be found in Tables 6 & 7, Appendix A. The main points to note are, for sickness benefit, the relatively high proportion of cash benefits in the Netherlands, with low proportions in France, Italy and Luxembourg. For benefits classed as invalidity/disability, a lower proportion of cash benefits in Ireland and the United Kingdom, with a higher proportion in Italy, Luxembourg and the Netherlands. With occupational accidents and diseases, a lower proportion of cash benefits in the Federal Republic of Germany with a higher proportion in Ireland, Italy and the United Kingdom may be noted.

c. Amounts per person

A comparison of amounts per person for the different functions can give an indication of the relative levels of coverage provided by the social security and health schemes. For more precise comparisons, it is important to compare aspects such as conditions of eligibility, duration of benefit, etc., which for "general" schemes of social security are given in the Commission publication "Comparative Tables of the Social Security schemes in the Member States of the European Communities" (1). The comparisons are in current prices for the year in question.

d. Sickness

For sickness benefits in cash, the total amount of benefit adjusted for differences in purchasing power has been compared to the population aged 20 to 59, as an indicator of amounts received per person. A similar comparison has been made for sickness benefits in kind, compared to the total population. Great differences exist in these indicators for different countries: for example, France would seem to pay out one of the lowest amounts in cash benefits, but is projected in 1986 to spend the highest in benefits in kind.

Table 4.3 Sickness benefits per person (in Purchasing Parity Standards: ECUs, adjusted for differences in purchasing power).

	<u>In Cash</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
1986 (2)		352	325	418	170	-	295(3)	115	- (4)	654	251
1981		244	307	365	110	-	210	79	-	513	165
<hr/>											
	<u>In Kind</u>										
1986		599	760	731	913	-	365	519	-	598	400
1981		409	506	576	540	-	310	359	-	468	290

(1) Published every two years. Latest edition refers to situation on 1st July 1984.

(2) Adjustment for purchasing power based on most recently available statistics (1983).

(3) Not including private sector occupational side pay benefits.

(4) Due to the significant number of "frontier" workers covered by the scheme but residing abroad; the indicator for Luxembourg has been omitted.

e. Invalidity/Disability

The amount of benefit was adjusted for differences in purchasing power and compared to the population aged 20-59, except for Italy, where such benefits remain payable after retirement age. As with sickness benefits, great differences appear from country to country with the Netherlands and Luxembourg, together with Italy to a lesser extent, paying high cash benefits. For benefits in kind, the United Kingdom would appear to spend most, but it should be borne in mind that a relatively lower level of spending on health care in sickness may imply prolonging ill-health, or the results of an accident, into longer-term invalidity.

Table 4.4 Invalidity/Disability benefits per person
(in PPS)

<u>In Cash</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
1986 (1)	458	436	393	302	-	149	688	-(2)	961	277
1981	313	311	296	188	-	81	439	-	857	154

<u>In Kind</u>										
1986	150	169	108	123	-	134	48	-	170	185
1981	106	108	92	66	-	77	45	-	133	136

(1) See note (2) to Table 4.3.

(2) See note (4) to Table 4.3.

4.2 Old age and survivors

a. The risks covered

The two separate functions "old age" and "survivors" have been combined, since in certain countries, survivors include not only "young" widows but also war survivors, many of whom are older than the normal retirement age. The difference can be seen in the following table :

Table 4.5 Components of old age and survivors 1986 (in %)

	<u>EEC</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
	%	%	%	%	%	%	%	%	%	%	%
Old age	80,0	69,3	99,1	67,5	83,1	95,5	77,6	76,4	62,5	89,2	95,7
Survivors	20,0	30,7	0,1	32,5	16,9	4,5	22,4	23,6	37,5	10,8	4,3
TOTAL	100	100	100	100	100	100	100	100	100	100	100

b. Cash and kind

Only in Denmark are benefits in kind over 10 % of the total : 28,4 % in 1981, projected to be 29,2 % in 1986. (Mainly social work care in special accommodation).

c. Amounts per person

In comparing amounts per person, the cautionary remarks made in the previous section on health benefits should be borne in mind.

The amounts discussed here are the addition of old age benefits and survivors benefits, compared to the population of legal retirement age.

The table below indicates major differences between countries, much less however than the differences seen for sickness and invalidity benefits in cash. Old age benefits in France, Luxembourg and the Netherlands would seem to be much greater than in

other countries, with Ireland, Italy and the United Kingdom significantly lower (although the Irish figures omit private occupational pensions).

Table 4.6 --- Old age and survivors benefits . per person

(in '000 PPS)

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
1986	8,6	8,2	7,4	9,4	-	6,0	6,4	- (1)	9,8	6,2
1981	5,8	5,6	5,9	7,2	-	3,5	3,7	-	7,4	4,2

4.3 Maternity/Family

a. The risks covered

Maternity benefits include both benefits in cash and in kind, although it could be argued that the latter are more appropriately classified under health benefits (as is the case for Italy). Family benefits are in most countries child benefits, the exception being Italy where payments are also made for a spouse, dependent parents and grand parents.

The table below shows the relative share of maternity benefits compared to family benefits projected for 1986.

Table 4.7 Maternity and family benefits : % in 1986

	<u>EEC</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
Maternity	12,2	5,4	12,2	13,9	15,6	28,6	19,1	9,8	20,6	3,3	11,7
Family	87,8	94,6	87,8	86,1	84,4	71,4	80,9	90,2	79,4	96,7	88,3

(1) See note 4 to Table 4.3.

c. Amounts per person

The following comparisons are based, for maternity benefits, on the number of live births and for family benefits, the number of children aged 19 or under.

Table 4.10 Maternity (1981 only : '000 PPS)

	B	DK	D	F	GR	IRL	I	L	NL	UK
Cash	0,64	2,41	1,59	2,18	-	0,22	1,27	2,38	0,30	0,55
Kind	0,54	0,60	1,01	1,12	-	0,94	-	0,83	0,46	1,45

High levels of cash benefit existed in Denmark, France and Luxembourg, with high levels for benefits in kind in France and the United Kingdom.

Table 4.11 Family ('000 PPS)

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
<u>Cash + kind</u>										
1986	1,35	1,35	0,88	1,26	0,09	0,54	0,66	1,07	1,17	0,99
1981	1,02	0,90	0,77	0,79	0,04	0,26	0,47	0,76	0,76	0,65

Belgium's pre-eminent position in 1981 is projected to be superseded by Denmark in 1986, largely via provision of benefits in kind, and equalled by France. The low level of benefits in Greece should be noted, even though the amount per child is projected to double from 1981 to 1986. Italy's figures would be lower if the numbers of other family dependents could be taken into account.

4.4 Employment

a. The risks covered

This function is almost entirely made up of expenditure on cash benefits received by the unemployed (including social aid benefits). Exceptions are the Federal Republic of Germany, which spends around a quarter of employment benefits on job promotion and vocational guidance, and to a lesser extent Belgium and the United Kingdom which spend just under one fifth of the total in this way. Some countries provided no data on promotion of employment.

Table 4.12 Employment benefits : components (1986)

	<u>EEC</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>GR</u>	<u>IRL</u>	<u>I</u>	<u>L</u>	<u>NL</u>	<u>UK</u>
	%	%	%	%	%	%	%	%	%	%	%
Promotion of employment	11,9	17,5	(1) 4,1	23,5	5,2	-	-	2,3	1,2	-	17,4
Unemployment	88,1	82,5	95,9	76,5	94,8	100	100	97,7	98,8	100	82,6
TOTAL	100	100	100	100	100	100	100	100	100	100	100

b. Cash and kind

Cash benefits account for practically all benefits under these headings.

c. Amounts per person

- for certain types of household -

The next chapter sets out the extent/to which previous earnings are replaced by benefits received when unemployed, assuming full rights to such benefits.

(1) Around 22% of total employment benefits may be considered as promoting employment, using Danish national classifications.

CHAPTER FIVE

BENEFITS RECEIVED WHEN UNEMPLOYED COMPARED TO PREVIOUS EARNINGS

a. Background

The mandate given by the Council of Ministers for the annual summary reports included the provision of information aiming at a better appreciation of how social security schemes work in practice, in particular by comparing the level of net income retained when receiving benefits with net income from earnings. In each annual report, attention will be concentrated on a different benefit. For this first annual report, it was decided to look at unemployment benefits.

A certain amount of detail on unemployment benefits is already available from Commission publications : for example the "Comparative Tables of social security schemes". Indeed, where legislation fixes the amount of such benefits as a proportion of previous net earnings (such as in the Federal Republic of Germany) the task is simplified. Most countries however, if they fix benefits as a proportion of previous income, do so with reference to gross earnings (before the deduction of income tax).

b. Method

Similar work for internal usage or for correspondence with M.E.P.s has previously been undertaken by Commission services and cooperation with other international organisations has proved fruitful. The present exercise is the first to be carried out with the cooperation of national authorities. It has opted for a simple approach which may perhaps be refined in subsequent exercises : the comparison between net benefits and previous net earnings is referred to as the "simple replacement ratio". This title was chosen to draw attention to the need for consideration of various other elements for a more accurate assessment : eligibility for benefits in kind, cost of going to work, fringe benefits received when in work, occasional or regular earnings allowed when unemployed, etc . The money equivalent of such elements is subject to some controversy, even when reliable data are available. It was not thought possible, in this first attempt, to evaluate such amounts, particularly on an international basis; countries were however invited to

provide information on such amounts, as an aid to better assessment.

A number of "typical" household types were chosen for examination :

1. Single person (separate data for men and women if different amounts)
2. Single woman with one child
3. Married (1) couple, no children : wife earning
wife not earning
4. Married couple, two children : wife earning
wife not earning
5. Married couple, five children : wife not earning

Two periods of unemployment are covered :

- a. One month (July 1982)
- b. One year and one month (thirteen months) (to July 1983).

It is important to note that the choice of earnings data used in the calculations was aimed at facilitating comparisons among Community countries (2). Results for any one country may thus not correspond to calculations based on national series. It should also be noted that the treatment of income tax is slightly different than in some other studies. The aim was to look at what the person or household actually had to exist on during the initial period of becoming unemployed, irrespective of any later adjustments in income tax, which may even take place a year or two later in certain countries (3).

The questionnaire filled in by the Member States as well as the earnings data are given in Appendix C.

c. Results

Discussion will be confined to the "simple replacement ratio", since only two countries (Ireland and United Kingdom) provided other data requested by the Commission if available. No attempt is made to provide figures to one (or more) decimal place(s), to underline the indicative nature of the results; small differences between figures should be treated with caution.

(1) Including cohabiting.

(2) The earnings data used were based on the comparable EUROSTAT series "Hours of work : hourly earnings". Work is continuing at the Statistical Office to improve the definition of earnings for typical households.

(3) Tax reductions were taken into account only in Denmark and Ireland.

A. UNEMPLOYED ONE MONTH

1. Single person

No country provided separate results for men and women. As can be seen from the table below, the unemployment benefits in most Community countries provided about four-fifths of previous net earnings, except for the Federal Republic of Germany (66 %), the United Kingdom (51 %) and Italy in the case of those receiving ordinary unemployment benefits (3%).

Only in Denmark, the Netherlands and the United Kingdom provided significantly more to those previously on two-thirds average earnings. (In Italy, the percentage rose to 5 %). The proportion of earnings replaced was much less however for those previously earning twice the national average, except in the Federal Republic of Germany, Ireland and the Netherlands. Ireland's 87 %, the highest, may be compared with the 25 % in the United Kingdom, the lowest.

Table 5.1 Single person (without children) : Simple replacement ratio

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u> (1)	<u>L</u>	<u>NL</u>	<u>UK</u>	
						(a)	(b)			
<u>Earnings</u>										
Two-thirds average	78	91	67	85	85	5	89	85	100	65
Average	81	86	66	67	86	3	89	85	86	48
Twice average	47	63	61	49	87	2	50	71	78	25

2. Single woman, one child

It should be noted that the case of widows is not covered by this analysis since most would be receiving a different benefit. Since women were assumed, for simplicity, to earn two-thirds the average male incomes, only one line of figures is given in the table below. It shows that a single woman with one child had, compared to a single woman without children on the same previous earnings, a higher proportion of previous net income replaced, in all countries except Ireland and Luxembourg. The proportion was the same in the Federal Republic of Germany (67 %) and the Netherlands (100 %). In Italy, it increased for those receiving ordinary unemployment benefits to 8%.

(1) Italy : (a) Ordinary unemployment; (b) Special unemployment in the industrial sector, due to financial difficulties of the firm or sectoral crises.

Table 5.2 Single woman, one child

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u>	<u>L</u>	<u>NL</u>	<u>UK</u>	
						(a)	(b)			
<u>Earnings</u>										
Two-thirds average	79	101	67	88	80	8	90	82	100	64

3. Married couple, no children, wife not earning

For those previously on average earnings the rates of income replacement were similar to those of a single person, with a somewhat higher percentage in the United Kingdom and in Italy, where the rate increased from 3 to 6 % for those receiving ordinary unemployment benefits.

Most countries provided a higher rate of replacement for those previously on two-thirds average earnings, except for Belgium and Ireland. For those formerly earning twice the national average, the extent of replacement was again much lower than for those on average earnings and similar to the percentages for the single person, except in Ireland (less) and the United Kingdom (more).

Table 5.3 Married couple, no children, wife not earning

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u>	<u>L</u>	<u>NL</u>	<u>UK</u>	
						(a)	(b)			
<u>Earnings</u>										
Two-thirds average	77	92	74	86	87	8	90	83	100	77
Average	80	87	67	69	90	6	90	84	86	62
Twice average	47	65	59	53	78	3	52	66	77	33

4. Married couple, no children, wife earning

In this household's case, it was assumed that the wife kept her job when the husband became unemployed. This is perhaps a more realistic assumption in view of the pattern over recent years than to assume that both became unemployed at the same time. Clearly, as shown in the table below, the wife's earnings helped to soften the financial blow of unemployment. The degree to which total household income was replaced was significantly higher in all countries than for households where the wife did not earn, except in the United Kingdom, for those households where the man previously had average earnings. The same applies to those on two-thirds average earnings. The replacement ratio was higher than 80 % except in the Federal Republic of Germany, Italy (for those receiving ordinary benefits) and the United Kingdom. Where the man formerly was on twice the average earnings, ratios were again lower than for average earnings and in all countries higher than in households where the wife did not earn, ranging from 91 % in Ireland to 41 % in the United Kingdom.

Table 5.4 Married couple, no children, wife earning

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u> (a)	(b)	<u>L</u>	<u>NL</u>	<u>UK</u>
<u>Earnings</u>										
Two-thirds average	87	95	82	93	104	56	95	92	100	68
Average	86	91	78	81	103	46	93	91	92	56
Twice average	61	75	68	64	91	31	64	76	83	37

5. Married couple, two children, wife not earning

This typical household, for long almost the only typical household to exist in official statistics, had net income replacement rates similar, for those, previously earning the average, to that of a married couple without children in most countries, but significantly higher rates in Denmark and the United Kingdom (11 % in Italy compared to 6 %, for those receiving ordinary unemployment benefit for those previously on two-thirds average earnings, much higher percentages were achieved in some countries. Earlier earnings at twice the average rate were replaced to a much lesser extent by unemployment benefits, except in Ireland.

Table 5.5 Married couple, two children, wife not earning

<u>Earnings</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u>	<u>L</u>	<u>NL</u>	<u>UK</u>	
						(a)	(b)			
Two-thirds average	79	102	98	88	88	14	90	83	100	88
Average	80	97	70	72	90	11	90	84	88	74
Twice average	50	70	60	57	86	6	53	69	79	43

6. Married couple, two children, wife earning

The presence of extra earnings again increases the amount of resources available to the household where the man previously was on average earnings, but to a lesser extent in Denmark and the United Kingdom. Even so in Denmark the ratio was still over 90% of previous net income. The extent of income replacement was usually significantly higher for those households where the man previously earned two-thirds the national average. For those previously on twice average earnings, percentages were similar to households without children where the wife was earning, varying from 42% in the United Kingdom to 98% in Ireland.

Table 5.6 Married couple, two children, wife earning

<u>Earnings</u>	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u>	<u>L</u>	<u>NL</u>	<u>UK</u>	
						(a)	(b)			
Two-thirds average	87	99	84	93	110	58	95	93	100	74
Average	86	93	79	82	103	48	94	92	92	63
Twice average	63	75	68	67	98	33	65	78	84	42

7. Married couple, five children, wife not earning

For households where the man previously earned the national average, the replacement ratio in Denmark was the same as for the two-children household with the wife not earning. In the Netherlands the percentage is slightly lower than for some other household types. It is significantly lower than the highest ratio, where the man was formerly on average earnings, in Belgium and Ireland.

Where the man's previous earnings were two-thirds the average, replacement ratios rise in all countries, but only slightly so in Belgium and the United Kingdom. Again, for those whose former earnings were twice the average, the extent of their replacement was lower, except in Ireland. Belgium provided the lowest percentage, at just over half previous net income. For the those receiving ordinary unemployment benefits in Italy, the replacement ratio for those previously earning two-thirds the average, where the wife is not earning, reached a peak of 22 %.

Table 5.7 Married couple, five children, wife not earning

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u> (a)	<u>IT</u> (b)	<u>L</u>	<u>NL</u>	<u>UK</u>
<u>Earnings</u>										
Two-thirds average	81	110	100	92	107	22	92	88	100	99
Average	78	97	84	81	90	17	91	86	90	94
Twice average	54	78	65	66	96	10	55	72	81	59

B. UNEMPLOYED ONE YEAR AND ONE MONTH

In looking at types of household where the man had been unemployed for thirteen months, it was decided that a more realistic and useful approach would be to compare net incomes while receiving unemployment benefit with what the man could currently (i.e. July 1983) have earned, not with what he previously earned over a year before. The reason for this decision was a wish to concentrate on possible incentives currently on offer. The earnings data were therefore updated to July 1983. As well, relevant changes in benefit legislation up to this date were incorporated into the calculations.

Compared with a replacement ratio based on previous earnings, the present approach will tend to produce lower figures if unemployment benefit have not kept up with earnings.

For these reasons, it is not strictly speaking possible to draw precise inferences from comparisons between these figures and those for one month's unemployment. Only when the difference between two numbers for similar household types in one country is large can one be reasonably sure that it is because of changes linked to the benefits rather than because of the earnings adjustment. For most countries, such large differences can be seen, for certain household types, whereas for others only small differences occur. In Denmark and the Netherlands, for example, the latter is the case.

Table 5.8 Single person (without children)

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	(a) <u>IT</u>	(b) <u>L</u> ⁽¹⁾	<u>NL</u>	<u>UK</u>	
<u>Earnings</u>										
Two-thirds average	66	89	60	92	62	-	77	-	99	67
Average	57	83	59	68	54	-	78	-	84	49
Twice average	33	59	50	54	49	-	46	-	74	25

Belgium's and Ireland's ratios here are significantly lower than after one month's unemployment, with Italy providing a high percentage for those previously earning average incomes in the industrial sector, but nothing otherwise.

(1) Luxembourg : Only in exceptional cases a social security benefit is payable after 365 days unemployment for a further 182 days. It may also be possible to obtain social aid from the National Solidarity Fund. No data is available to indicate the extent of net income replacement.

Table 5.9 Single woman, one child

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	(a) <u>IT</u>	(b) <u>L</u>	<u>NL</u>	<u>UK</u>	
<u>Earnings</u>										
Two-thirds average	81	96	64	90	90	-	79	-	99	72

Ireland's ratio is higher here because of the payment of an unmarried mother's allowance.

Table 5.10 Married couple, no children, wife not earning

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	(a) <u>IT</u>	(b) <u>L</u>	<u>NL</u>	<u>UK</u>	
<u>Earnings</u>										
Two-thirds average	77	91	76	88	78	-	79	-	98	78
Average	82	84	60	69	67	-	79	-	79	62
Twice average	48	62	51	55	50	-	47	-	73	34

A significant reduction in the percentages for Ireland can be seen if these figures are compared with those for one month's unemployment.

Table 5.11 Married couple, no children, wife earning

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	(a) <u>IT</u>	(b) <u>L</u>	<u>NL</u>	<u>UK</u>	
<u>Earnings</u>										
Two-thirds average	81	94	51	94	97	53	89	-	99	54
Average	73	89	49	81	92	44	87	-	87	45
Twice average	52	70	47	66	76	30	61	-	81	30

The major difference compared to one month's unemployment occurred in the Federal Republic of Germany and the United Kingdom with significantly lower ratios. Attention may be drawn to the figures in Italy and the United Kingdom for households previously on twice average earnings.

Table 5.12 Married couple, two children, wife not earning

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u>	<u>L</u>	<u>NL</u>	<u>UK</u>	
						(a)	(b)			
<u>Earnings</u>										
Two-thirds average	79	97	100	89	88	-	80	-	98	87
Average	82	93	72	71	80	-	80	-	82	76
Twice average	52	75	53	57	60	-	49	-	75	44

The only major difference between the picture after one month's unemployment is to be seen in Ireland, for households where the man previously earned twice the national average.

Table 5.13 Married couple, two children, wife earning

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u>	<u>L</u>	<u>NL</u>	<u>UK</u>	
						(a)	(b)			
<u>Earnings</u>										
Two-thirds average	82	98	57	94	107	55	89	-	99	64
Average	74	92	61	81	96	46	88	-	90	54
Twice average	55	72	54	67	83	31	62	-	80	36

The Federal Republic of Germany and the United Kingdom provide a much reduced proportion of net income than in the case after one month's unemployment.

Table 5.14

Married couple, five children, wife not earning

	<u>B</u>	<u>DK</u>	<u>D</u>	<u>F</u>	<u>IRL</u>	<u>IT</u> (a)	<u>IT</u> (b)	<u>L</u>	<u>NL</u>	<u>UK</u>
<u>Earnings</u>										
Two-thirds average	83	109	100	93	107	-	82	-	98	98
Average	78	99	87	80	85	-	82	-	87	96
Twice average	55	85	60	66	71	-	51	-	77	60

Again, the only major difference between the extent of income replacement for this situation and that of one month's unemployment can be seen in Ireland for those households where the man previously earned twice the national average.

A P P E N D I X A

Detailed Tables

Table A - 1 : Receipts - 1981 (mrd. nat. currency)

	EEC	B	DK	D	F	GR	IRL	I	L	NL	UK
<u>NATURE</u>	(ECU)							(1000 mrd.)			
1. social contributions	411,6	650,9	15,1	330,4	666,9	177,7	0,86	72,0	24,0	89,7	32,14
11. employers	272,7	454,7	12,5	193,8	472,9	88,3	0,59	57,5	14,4	47,0	21,94
111. actual	194,5	342,4	4,4	118,5	385,4		0,37	38,3	10,8	40,6	16,06
112. imputed	76,8	112,3	8,1	75,3	87,5		0,22	19,3	3,6	6,4	5,88
12. protected persons	138,9	196,2	2,6	136,6	194,1	89,4	0,27	14,5	9,6	42,7	10,20
121. employees	106,8	148,3	2,6	101,9	153,1			10,0	8,2	32,0	9,62
122. self-employed	15,1	42,8	0,0	4,9				4,5	1,2	3,0	0,37
123. pensioners or others	15,2	5,1		29,8	41,0				0,1	7,7	0,21
2. general government funds	208,2	386,6	111,2	130,7	258,8	147,7	1,73	28,9	14,1	26,5	29,51
3. other receipts	34,1	38,6	6,2	17,1	29,3	18,0	0,03	2,6	3,9	16,7	6,13
4. total receipts	653,8	1076,1	132,4	478,1	955,0	343,3	2,62	103,5	41,9	132,8	67,78
<u>SECTORS OF ORIGIN</u>											
1. enterprises	228,2	365,6	4,3	166,7	365,0		0,36	32,0	12,3	44,8	21,26
2. general government	272,1	500,0	123,8	166,6	365,0		1,96	41,6	19,5	44,1	36,26
21. central govt.	228,8	453,7	72,1	156,4	276,4		1,86	35,9	17,4	35,2	31,21
22. local govt.	30,8	42,8	45,6	8,9	31,4		0,10	5,2	1,6	8,5	4,35
23. social security funds	12,5	3,5	6,2	1,2	57,2			0,4	0,5	0,4	0,69
3. households	142,9	207,7	2,6	142,7	203,8		0,27	29,5	9,9	43,4	10,27
4. other sectors	5,2	2,8	1,8	2,2	21,2		0,04	0,4	0,2	0,5	
5. total receipts	648,3 ⁽ⁱ⁾	1076,1	132,4	478,1	955,0	343,3	2,62	103,5	41,9	132,8	67,78

(i) Except Greece (5,6 mrd. ECU)

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Table A - 2 : Receipts - 1986 (mrd. nat. currency)

NATURE	EEC	B	DK	D	F	GR	IRL	I	L	NL	UK
	(ECU)							(1000 mrd.)			
1. social contributions	626,6	916,3	28,9	404,1	1175,5	510,0	1,69	170,1	37,5	115,1	47,28
11. employers	411,4	619,7	21,4	234,1	822,7	250,0	1,10	133,4	21,5	52,7	30,71
111. actual	303,7	447,7	10,1	147,5	676,5		0,71	95,7	16,1	46,8	23,37
112. imputed	107,7	172,0	11,3	86,5	146,1		0,39	37,7	5,4	5,9	7,34
12. protected persons	214,9	296,6	7,5	170,1	352,8	260,0	0,59	36,7	16,0	62,4	16,57
121. employees	164,3	229,2	7,4	127,4	273,4			23,1	14,0	47,0	15,53
122. self-employed	28,6	58,0	0,0	5,9				13,6	1,9	5,2	0,73
123. pensioners or others	21,2	9,4		36,7	79,4				0,2	10,2	0,31
2. general government funds	299,9	606,1	165,6	128,4	503,6	580,0	3,29	53,7	20,4	38,3	44,60
3. other receipts	44,8	36,9	12,9	17,0	51,4	40,0	0,04	5,6	4,4	24,8	8,62
4. total receipts	970,9	1559,3	207,4	549,5	1730,5	1130,0	5,02	229,4	62,3	178,2	100,49
<u>SECTORS OF ORIGIN</u>											
1. enterprises	348,4	469,4	9,4	206,0	643,1		0,70	75,1	17,4	52,2	29,56
2. general government	396,9	778,9	188,4	170,9	687,9		3,69	80,0	28,2	62,6	54,45
21. central govt.	281,0 ⁽ⁱ⁾	714,0	104,0	158,9	523,5		3,53		25,6	50,1	47,39
22. local govt.	38,1 ⁽ⁱ⁾	62,1	70,8	10,8	54,5		0,16		2,3	12,2	6,05
23. social security funds	20,1 ⁽ⁱ⁾	2,8	13,6	1,2	109,9				0,2	0,3	1,00
3. households	219,9	310,5	6,8	171,4	371,8		0,59	73,7	16,6	62,8	16,49
4. other sectors	5,7	0,5	2,7	1,2	27,7		0,05	0,6	0,1	0,6	
5. total receipts	970,9	1559,3	207,4	549,5	1730,5	1130,0	5,02	229,4	62,3	178,2	100,49

(i) Except Italy

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Table A - 3 : Nature of social contributions : percentage structure 1981

	EEC	B	DK	D	FR	GR	IRL	I	LUX	NL	UK
<u>Social contributions</u>											
<u>Employers</u>	66,2	69,9	82,7	58,7	70,9	49,7	68,4	79,9	60,0	52,4	68,3
actual	47,6	52,6	29,4	35,9	57,8		42,9	53,1	44,8	45,2	50,0
imputed	18,6	17,3	53,4	22,8	13,1		25,5	26,8	15,2	7,1	18,3
<u>Protected persons</u>	33,8	30,1	17,3	41,3	29,1	50,3	31,6	20,1	40,0	47,6	31,7
employees	25,9	22,8	17,0	30,8	22,9			13,8	34,5	35,6	29,9
self-employed	4,3	6,6	0,3	1,5	6,1			6,2	5,0	3,4	1,2
pensioners or others	3,7	0,8		9,0					0,5	8,6	0,7
TOTAL	100	100	100	100	100	100	100	100	100	100	100

Table A - 4 : Social Protection Expenditure (i) - 1981 (mrd. nat. currency)

	B	DK	D	F	GR	IRL	I	L	NL	UK	EEC
							(1000 mrd.)				(ECU)
I. Current transactions: (ii)	1066,2	124,1	448,3	846,5	327,5	2,425	101,6	39,9	111,0	60,1	599,5
A. Social protection benefits	1012,2	121,0	432,7	801,5	313,7	2,316	94,0	37,6	106,9	57,7	575,6
1. Health:	335,9	40,1	172,1	271,1	59,6	0,950	42,1	16,0	50,8	17,4	212,4
11. Sickness	215,9	29,6	124,6	200,1	34,2	0,798	21,6	8,7	29,7	12,1	143,1
12. Invalidity, disability	89,6	9,7	34,0	44,6	19,6	0,141	18,2	5,8	21,1	4,8	55,6
13. Occupational accidents and diseases	30,4	0,7	13,4	26,4	5,8	0,011	2,3	1,5		0,6	13,5
2. Old age	266,2	42,0	125,6	274,0	191,5	0,605	31,2	10,4	29,6	23,2	188,6
3. Survivors	123,4	0,6	58,4	56,1	18,2	0,159	9,4	6,7	5,0	1,2	48,1
4. Maternity/Family:	120,8	12,9	36,8	95,9	7,5	0,251	8,5	3,5	9,8	7,1	58,7
41. Maternity	5,9	1,5	4,1	16,5	1,4	0,048	0,7	0,6	0,4	0,8	7,0
42. Family	114,9	11,4	32,7	79,4	6,1	0,203	7,8	2,9	9,4	6,3	51,8
5. Employment:	156,3	19,3	32,9	70,2	7,3	0,231	2,7	0,8	9,4	7,0	49,6
51. Placement, vocational guidance, resettlement	21,1	0,8	10,9	2,5			0,1	0,1		0,7	6,7
52. Unemployment	135,2	18,4	22,0	67,7	7,3	0,231	2,6	0,7	9,4	6,3	42,9
6. Housing		1,7	3,7	17,0	1,5	0,089	0,0	0,0	1,0	0,9	6,7
7. Miscellaneous	9,6	4,5	3,2	2,3	27,9	0,031	0,1	0,0	1,3	0,8	5,1
B. Administration costs	49,3	3,1	11,6	36,5	12,1	0,105	3,6	1,3	3,8	2,3	21,0
C. Other current expenditure	4,7	n.a.	4,0	8,5	1,7	0,004	4,0	1,0	0,3	0,1	6,6
II. Capital transactions			9,7	n.a.	n.a.	0,045	1,2	n.a.	n.a.	n.a.	
III. Social protection expenditure			457,0			2,470	102,8				

(i) Excluding fiscal benefits

(ii) Excluding current transfers between agencies

Table A - 5: Social Protection Expenditure (i) - 1986 (mrd. nat. currency)

	B	DK	D	F	GR	IRL	I	L	NL	UK	EEC
							(1000 mrd.)				(ECU)
I. Current transactions: (ii)	1559,0	190,4	532,1	1551,2	1110,0	4,632	196,7	58,7	150,8	87,0	899,9
A. Social protection benefits	1487,0	185,6	513,6	1478,1	1055,0	4,425	184,3	56,7	144,4	83,6	848,1
1. Health:	477,6	57,9	202,4	488,3	140,0	1,473	75,8	24,7	60,7	25,0	303,8
11. Sickness	311,6	42,2	144,1	363,0	70,0	1,145	36,8	13,4	36,8	16,7	201,4
12. Invalidity, disability	130,6	14,8	42,4	81,7	45,0	0,304	33,7	8,7	23,9	7,6	83,4
13. Occupational accidents and diseases	35,4	1,0	15,9	43,6	25,0	0,024	5,3	2,6		0,8	20,2
2. Old age	393,8	65,6	149,2	516,4	750,0	1,128	68,5	15,4	40,5	33,0	290,5
3. Survivors	174,7	0,6	71,8	105,5	35,0	0,325	21,2	9,2	4,9	1,5	72,0
4. Maternity/Family:	146,7	18,2	34,6	154,3	21,0	0,577	12,4	4,8	13,0	9,8	75,2
41. Maternity	7,9	2,2	4,8	24,1	6,0	0,110	1,2	1,0	0,4	1,2	9,4
42. Family	138,8	15,8	29,8	130,2	15,0	0,467	11,2	3,8	12,6	8,6	65,9
5. Employment:	280,5	31,9	48,0	150,9	30,0	0,632	6,1	2,3	23,6	9,4	84,6
51. Placement, vocational guidance, resettlement	49,1	1,3	11,3	7,9			0,1	0,0		1,6	10,4
52. Unemployment	231,4	30,6	36,7	143,0	30,0	0,632	6,0	2,3	23,6	7,8	74,3
6. Housing		4,4	4,1	36,9	10,0	0,221	0,1	0,0	1,1	3,6	14,8
7. Miscellaneous	13,7	6,9	3,5	2,1	69,0	0,069	0,2	0,2	0,5	1,2	6,3
B. Administration costs	66,2	4,9	13,9	59,3	40,0	0,202	7,7	2,0	6,0	3,2	30,6
C. Other current expenditure	5,8		4,6	13,8	15,0	0,005	4,7	0,0	0,4	0,2	8,2
II. Capital transactions		n.a.	n.a.	n.a.	n.a.	0,068	2,6	n.a.	n.a.	n.a.	
III. Social protection expenditure						4,700	199,4				

(i) Excluding fiscal benefits

(ii) Excluding current transfers between agencies

Table A - 6 : Social Protection Benefits in cash/kind - 1981 (in %)

	B c/k	DK c/k	D c/k	F c/k	GR c/k	IRL c/k	I c/k	L c/k	NL c/k	UK c/k	EEC
Social protection benefits	79,5/20,5	61,5/38,5	65,7/34,3	69,6/30,4		60,4/39,6	74,0/26,0	76,8/23,2	78,4/21,6	72,7/27,3	69,9/30,1
1. Health:	43,5/56,5	37,2/62,8	38,2/61,8	27,8/72,2		28,5/71,5	49,7/50,3	51,6/48,4	57,5/42,5	33,5/66,5	38,7/61,3
11. Sickness	24,1/75,9	24,0/76,0	25,6/74,4	9,7/90,3		23,5/76,5	10,3/89,7	14,8/85,2	36,9/63,1	22,5/77,5	20,2/79,8
12. Invalidity, disability	74,8/25,2	74,2/25,8	76,3/23,7	74,0/26,0		51,0/49,0	90,8/ 9,2	97,6/ 2,4	86,6/13,4	53,3/46,7	77,5/22,5
13. Occupational accidents and diseases	89,1/10,9	75,2/24,8	58,7/41,3	87,1/12,9		100 / -	93,7/ 6,3	86,5/13,5	- / -	96,6/ 3,4	76,8/23,2
2. Old age } 3. Survivors }	99,2/ 0,8	71,5/28,5	90,1/ 9,9	97,6/ 2,4		88,2/11,8	98,7/ 1,3	97,8/ 2,2	97,9/ 2,1	95,8/ 4,2	94,3/ 5,7
4. Maternity/Family:	93,0/ 7,0	36,4/63,6	86,7/13,3	81,2/18,8		79,3/20,7	68,4/31,6	85,5/14,5	92,2/ 7,8	68,5/31,5	77,6/22,4
41. Maternity	54,2/45,8	79,9/20,1	62,9/37,1	66,1/33,9		18,8/81,2	100 / -	74,2/25,8	39,4/60,6	27,4/72,6	59,1/40,9
42. Family	95,0/ 5,0	30,7/69,3	89,7/10,3	84,5/15,5		93,5/ 6,5	65,3/34,7	87,7/12,3	94,3/ 5,7	74,0/26,0	80,2/19,8
5. Employment:	100 / -	98,4/ 1,6	59,0/41,0	100 / -		100 / -	97,4/ 2,6	100 / -	100 / -	96,0/ 4,0	87,0/13,0
51. Placement, vocational guidance, resettlement	100 / -	62,4/37,6	59,0/41,0	100 / -		- / -	- /100	100 / -	- / -	62,0/38,0	61,9/38,1
52. Unemployment	100 / -	100 / -	59,0/41,0	100 / -		100 / -	100 / -	100 / -	100 / -	99,8/ 0,2	90,9/ 9,1
6. Housing	- / -	100 / -	4,1/95,9	- /100		- /100	100 / -	- /100	100 / -	100 / -	34,9/65,1
7. Miscellaneous	37,5/62,5	82,2/17,8	38,3/61,7	73,9/26,1		100 / -	100 / -	4,3/95,7	100 / -	19,5/80,5	48,2/51,8

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Table A - 7: Social Protection Benefits in cash/kind - 1986 (in %)

	B c/k	DK c/k	D c/k	F c/k	GR c/k	IRL c/k	I c/k	L c/k	NL c/k	UK c/k	EEC
Social protection benefits	80,2/19,8	61,0/39,0	66,8/33,2	70,0/30,0		66,3/33,7	77,6/22,4	75,2/24,8	80,3/19,7	74,4/25,6	71,6/28,4
1. Health:	43,2/56,8	31,2/66,8	38,5/61,5	26,3/73,7		33,9/66,1	53,7/46,3	49,8/50,2	56,3/43,7	37,4/62,6	39,6/60,4
11. Sickness	24,2/75,8	18,7/81,3	24,5/75,4	9,0/91,0		27,7/72,3	11,3/88,7	13,1/86,9	37,7/62,3	24,6/75,4	19,4/80,6
12. Invalidity, disability	75,3/24,7	72,1/27,9	78,5/21,5	71,1/28,9		52,6/47,4	93,5/ 6,5	97,8/ 2,2	85,0/15,0	59,9/40,1	79,5/20,5
13. Occupational accidents and diseases	92,1/ 7,9	21,1/78,9	58,3/41,7	86,5/13,5		100 / -	94,3/ 5,7	76,9/23,1	- / -	96,0/ 4,0	76,8/23,2
2. Old age } 3. Survivors }	99,2/ 0,8	71,3/28,8	93,2/ 6,8	97,9/ 2,1		89,1/10,9	98,8/ 1,2	97,5/ 2,5	98,0/ 2,0	96,1/ 3,9	95,7/ 4,3
4. Maternity/Family:	92,4/ 7,6	30,6/69,4	82,3/17,7	83,5/16,5		81,3/18,7	59,0/41,0	83,1/16,9	92,7/ 7,3	72,5/27,5	76,7/23,3
41. Maternity	49,4/50,6	77,2/22,8	65,0/35,0	66,8/33,2		20,0/80,0	100 / -	69,5/30,5	33,5/66,5	30,2/69,8	60,5/39,5
42. Family	94,9/ 5,1	24,0/76,0	85,1/14,9	86,6/13,4		95,8/ 4,2	54,6/45,4	86,6/13,4	94,8/ 5,2	7 / 21,8	79,0/21,0
5. Employment:	100 / -	98,4/ 1,6	60,5/39,5	100 / -		100 / -	97,7/ 2,3	100 / -	100 / -	93,4/ 6,6	87,6/12,4
51. Placement, vocational guidance, resettlement	100 / -	61,1/38,9	45,7/54,3	100 / -		- / -	- /100	100 / -	- / -	66,7/33,3	58,6/41,4
52. Unemployment	100 / -	100 / -	65,0/35,0	100 / -		100 / -	100 / -	100 / -	100 / -	99,1/ 0,9	91,5/ 8,5
6. Housing	- / -	100 / -	3,7/96,3	- /100		- /100	100 / -	- /100	100 / -	100 / -	49,5/50,5
7. Miscellaneous	40,9/59,1	81,1/18,9	36,8/63,2	76,1/23,9		57,9/42,1	100 / -	2,0/98,0	100 / -	8,6/91,4	40,4/59,6

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A P P E N D I X B

E c o n o m i c A s s u m p t i o n s

Table B - 1 : Economic Assumptions 1981 - 1986

	B	DK	D	GR	F	IRL	I	L	NL	UK	EUR
GDP - 1981 (Mrd. nat. currency)	3621,5	410	1543,4	2033,8	3094,4	10,376	401580	143,20	350,54	256,9	
GDP - 1986 (mrd. nat. currency)	5003,4	640	1965,1		5000,75	18,518	746830		411,89	313,9	
exchange rates (ECU)											
1981	41,295	7,9225	2,5139	61,6241	6,0399	0,6910	1263,18	41,295	2,7751	0,5531	
1986 (3rd May 1984) (PPS)	45,651	8,1992	2,2405	38,247	6,876	0,7307	1386,39	45,65	2,5225	0,5857	
1981	40,67	8,68	2,61	-	6,21	0,571	950,0	40,44	2,82	0,574	
1986 (1983)	39,905	8,863	2,431	-	6,607	0,634	1107,352	40,11	2,617	0,559	
price deflator GDP, annual average 1981-1986	6,4	7,7	3,6	19,0	9,6	10,1	13,3		2,8	6,8	6,5
unemployment rate											
1981	11,2	8,9	4,7	1,2	7,8	10,2	8,8	1,0	8,8	9,2	7,6
1986	15,9	9,1	8,0	9,0	10,8	16,6	10,5	(1)	18,4	11,1	10,6

APPENDIX C

EUROSTAT EARNINGS DATA FOR CALCULATIONS
OF REPLACEMENT RATIOS

Earnings in April 1982 (monthly)

	<u>Level</u> Average	Twice average	Two-thirds average (also assumed female earnings)
Federal Republic of Germany	2 752	5 504	1 833
France	5 252	10 504	3 498
Italy	897 926	1 795 852	598 557
Netherlands	2 775	5 550	1 850
Belgium	42 269	84 538	28 177
Luxembourg	47 124	94 248	31 413
United Kingdom	529	1 058	353
Ireland	579	1 158	386
Denmark			
Greece (1)	-	-	-

(1) EUROSTAT data exist only for hourly earnings.

- (d) medicines and prostheses: medicines and pharmaceutical products, optical appliances (spectacles, lenses) and hearing aids, orthopaedic products and prostheses, dental products and prostheses;
- (e) other medical services: laboratory analyses, radiological and electro-physical examinations, hydrotherapy, salt-water and sea-air cures, functional rehabilitation, transport of sick persons, health education and disease prevention campaigns, vaccinations and immunizations, etc.
- 2 These benefits are classified under the 'Invalidity/disability' function.
- 3 These benefits are classified under the function 'Occupational accidents and diseases'.
- 4 These benefits are classified under the function 'Maternity'.
- 5 The cost of this care is not regarded as expenditure by the social protection system.
- 6 These payments are classified under the function 'Family'.

APPENDIX C

EUROSTAT EARNINGS DATA FOR CALCULATIONS
OF REPLACEMENT RATIOS

Earnings in April 1982 (monthly)

	<u>Level</u> Average	Twice average	Two-thirds average (also assumed female earnings)
Federal Republic of Germany	2 752	5 504	1 833
France	5 252	10 504	3 498
Italy	897 926	1 795 852	598 557
Netherlands	2 775	5 550	1 850
Belgium	42 269	84 538	28 177
Luxembourg	47 124	94 248	31 413
United Kingdom	529	1 058	353
Ireland	579	1 158	386
Denmark			
Greece (1)	-	-	-

(1) EUROSTAT data exist only for hourly earnings.

NET RESOURCES AND BENEFITS OF TYPICAL HOUSEHOLDS

Table _____ : Household type:..... applicable)
 Man unemployed for: One month/one year and a month (delete where not)

	Woman earning			Woman not earning		
	Man earning: two- thirds average earnings (I)	average earnings	twice average earnings	Man earning: two- thirds average earnings (I)	average earnings	twice average earnings
A.1.Previous gross earnings ⁽²⁾
2.Cash transfers from government or agencies ⁽³⁾
3.Balance of income taxes, social security contributions, tax cred- its or allowances.....
4.Net disposable resources when in work.....
B.1.Unemployment benefits:						
a. Insurance.....
b. Social aid.....
c. Sub-total.....
2.Other cash transfers from gov- ernment or agencies.....
3.Balance of income taxes, social security contributions, tax cred- its or allowances.....
4.Net disposable resources when unemployed.....
C. Simple replacement ratio (B4 as percentage of A4)
D. Other data, if available: ⁽⁴⁾						
1. Balance of extra benefits in kind received by unemployed.....
2. Cost of going to work.....
3. Fringe benefits when in work.....
4. Part-time or disregarded earn- ings by unemployed.....
5. Other items (total)

Notes: (1) Where applicable, minimum earnings if higher than two-thirds average earnings
 (2) Source: Eurostat, except for Ireland, Denmark, Greece
 (3) E.g. Child benefit, Family Income Supplement (UK), single earner's allowance (F), rebates, etc
 (4) Details on separate sheet

APPENDIX D

Extract from " European system of integrated social protection statistics " Methodology - Part 1, published in 1981 by EUROSTAT

SOCIAL PROTECTION FUNCTIONS - CONTENT

Sickness function

511. *Sickness must be understood in the strict sense as a more or less deep-seated alteration in the health of the individual, affecting his physical or mental health in general.*

512. This function includes:

- (a) allowances intended as total or partial compensation for the loss of income resulting from the suspension of an occupation;
- (b) payments to all protected persons equivalent to all or part of the cost of medical care¹ or a preventive or therapeutic nature; with regard to prevention, the main areas covered are medical check-ups, vaccination campaigns, health education, preventive measures, etc.;
- (c) expenditure of public health services, insofar as it relates to allowances or medical care;
- (d) other forms of social assistance related to sickness.

513. The following are excluded:

- (a) medical care given to an invalid or a disabled person (handicapped person, etc.) as specific treatment for their invalidity or disability, i. e. in direct relation to the particular condition of the person concerned;²
- (b) medical care given to victims of occupational accidents or workers suffering from occupational diseases, in so far as this care is directly related to the injury or disease in question;³
- (c) prenatal, obstetrical and postnatal medical care;⁴
- (d) medical care given to conscripted military personnel during their compulsory military service;⁵
- (e) any payments made to supplement allowances granted on account of family responsibilities.⁶

¹ Medical care includes the following goods and services:

- (a) services provided by doctors (general practitioners or specialists) and other medical personnel, within or outside establishments (in out-patients' departments, surgeries, and at home);
- (b) stays in hospitals: medical treatment and maintenance;
- (c) dental care;
- (d) medicines and prostheses: medicines and pharmaceutical products, optical appliances (spectacles, lenses) and hearing aids, orthopaedic products and prostheses, dental products and prostheses;
- (e) other medical services: laboratory analyses, radiological and electro-physical examinations, hydrotherapy, salt-water and sea-air cures, functional rehabilitation, transport of sick persons, health education and disease prevention campaigns, vaccinations and immunizations, etc.

² These benefits are classified under the 'Invalidity/disability' function.

³ These benefits are classified under the function 'Occupational accidents and diseases'.

⁴ These benefits are classified under the function 'Maternity'.

⁵ The cost of this care is not regarded as expenditure by the social protection system.

⁶ These payments are classified under the function 'Family'.

Invalidity / Disability function

514. Invalidity/disability (physical or mental) is the inability to engage in any activity to an extent prescribed, or to lead a normal social life, which inability is likely to be permanent or persists beyond a limited period, such as may be defined in legislation covering insurance against sickness. It can be congenital or the result of a disease (with the exception of occupational diseases), of an accident (with the exception of occupational accidents), or of a political event.

Comment

The above exclusions (occupational accidents and diseases) apply only to cases where the benefit is granted under conditions (legal or other kinds) which make explicit reference to these two risks.

515. This function covers the following:

- (a) pensions, allowances and other cash benefits granted to invalids and disabled persons because of their condition;
- (b) remuneration paid to disabled persons when they engage in an occupation adapted to their handicap in sheltered workshops;
- (c) the specific medical care granted to invalids or disabled persons as a result of their condition;
- (d) the functional, occupational and social rehabilitation of invalids and disabled persons;
- (e) other forms of social assistance provided for invalids and disabled persons.

516. The following are excluded:

- (a) the medical care¹ granted to members of the family of invalids and disabled persons;²
- (b) the pensions, allowances, funeral expenses and death grants paid to the surviving dependants of invalids and disabled persons;³
- (c) all increases in pensions, allowances, etc., granted on account of family responsibilities.⁴

Occupational Accidents and diseases function

517. An *occupational accident* is an accident which occurs in the process or work, or during work, or while travelling between home and work.

An *occupational disease* is one so defined by national legislation.

518. This function covers the following categories:

- (a) pensions, allowances, compensation payments and other cash benefits granted to the victims;
- (b) the specific medical care¹ granted to victims on account of their condition; this includes in particular the supply, repair and replacement of prostheses or orthopaedic appliances required as a result of the accident;
- (c) the functional, occupational and social rehabilitation of victims;

¹ See the first footnote under the function 'Sickness'.

² These benefits are classified under the function 'Sickness'.

³ These benefits are classified under the function 'Survivors'.

⁴ These increases are classified under the function 'Family'.

519-524

- (d) accident prevention (limited to expenditure made by the insurance, provident and social security organizations);
- (e) other forms of social assistance for victims.

519. The following are excluded:

- (a) the medical care¹ granted to members of the families of victims;²
- (b) pensions, allowances, funeral expenses and death grants paid to the surviving dependants of the victims;³
- (c) all increases in pensions, allowances, etc., granted on account of family responsibilities.⁴

Old-age function

520. *Old age* is defined as the state of having reached a certain minimum age, beyond which, as a rule, one's main occupation may cease.

521. This function covers the following:

- (a) pensions, allowances, compensation payments and other cash benefits paid in the case of survival beyond a prescribed age;
- (b) the cost of staying in nursing homes for the aged and old-people's homes;
- (c) payments described as early retirement pensions and effected in accordance with laws or regulations, in so far as the criteria for granting the benefits indicate that the objective is complete and final retirement for reasons of age, i.e. that the measure taken may be interpreted as part of a general tendency towards reducing the upper age-limit for employment;⁵
- (d) other forms of social assistance for old people: home helps, benefits in kind, etc.

522. This function excludes:

- (a) medical care¹ given to old people;²
- (b) all increases in pensions, etc. granted on account of family responsibilities.⁴

Survivors function

523. A survivor's benefit is a benefit granted on the basis of a derived right, i.e. a right originally acquired by another person whose death is a condition for granting the benefit. However, certain insurance organizations treat this right as a direct one, i.e. there is no connection between the benefit received and that which the deceased member of the family would have been able to claim.

524. Survivors in receipt of benefit may be the spouse or ex-spouse of the deceased person, his or her children, grandchildren, ascendants or relatives. In exceptional cases (e.g. funeral expenses), the benefit may be paid to a person outside the family.

¹ See the first footnote under the function 'Sickness'.

² These benefits are classified under the function 'Sickness'.

³ These benefits are classified under the function 'Survivors'.

⁴ These increases are classified under the function 'Family'.

⁵ These remarks are designed so that benefits may be classified under the functions 'Old age' or 'Unemployment' as appropriate.

525. This function covers:

- (a) pensions, compensation payments and other cash benefits paid out to survivors in their capacity as relatives of the deceased person;
- (b) pensions reverting to next-of-kin;
- (c) death grants, funeral expenses, etc.

526. The following are excluded:

- (a) medical care¹ given to survivors;²
- (b) any increases in pensions, etc., granted on account of family responsibilities.³

Maternity function

527. The *maternity* function includes all benefits awarded to cover expenditure resulting from pregnancy and childbirth (live or still births), as well as those of a similar nature which are granted in the case either of abortion or of adoption.

528. This function includes:

- (a) allowances (including, where appropriate, continued payment of wages and salaries) intended to offset in whole or in part the loss of income resulting from the suspension of one's occupation as a result of pregnancy and confinement;
- (b) special allowances which may be granted either during pregnancy or after childbirth, in so far as they are connected with this event (e. g. for prenatal or postnatal examinations);
- (c) flat-rate allowances paid on the birth of the child;
- (d) the medical care¹ given:
 - 1) to the expectant mother during pregnancy,
 - 2) during confinement,
 - 3) to the mother and child after the birth and up to the time they leave the clinic, in so far as the care has been given in an establishment, or for an equivalent period (approximately one week in most cases) when the confinement takes place at home;
- (e) other forms of social assistance given to expectant mothers or mothers of newborn children.

529. This function does not include medical care¹ given beyond the period indicated above.²

Family function

530. The *family* function includes all benefits granted with a view to covering costs incurred in the bringing-up of children, and possibly, if relevant provisions are contained in national legislation, care of other members of the family (spouse, ascendant, etc.).

¹ See the first footnote under the function 'Sickness'.

² These benefits are classified under the function 'Sickness'.

³ These increases are classified under the function 'Family'.

531-534

531. This function includes:

- (a) family allowances;
- (b) allowances, compensation payments and other cash benefits granted for dependent children or, if relevant provisions are contained in national legislation, for other members of the family;
- (c) supplementary payments for children where the legal basis for these benefits is the cover of another risk (sickness, invalidity, etc.);
- (d) supply of food, clothing, holiday accommodation and assistance, in particular household assistance (unless it is directly related to the 'Education' function);
- (e) expenditure in the field of family planning;
- (f) other forms of social assistance for children and the family.

Placement, vocational guidance and resettlement function (now re-named "Promotion of Employment")

532. This function includes:

- (a) administrative costs (compensation of employees, purchases of goods and services) incurred by placement or vocational guidance offices;
- (b) removal and installation allowances for unemployed persons who have agreed to move house and work in another region;
- (c) payments compensating for loss of earnings due to absence from work in order to receive vocational training.¹

533. This function excludes:

- (a) the administrative costs of the agencies supervising placement offices;
- (b) direct payments from employers not giving rise to a general government subsidy in compensation;
- (c) the direct cost of vocational training (remuneration of training staff, supply of teaching materials, etc.);
- (d) subsidies paid by the public authorities to enterprises in order to encourage the latter to retain their employees.

Unemployment function

534. This function includes:

- (a) allowances, compensation payments and other cash benefits² granted to unemployed persons;
- (b) allowances for short-time working;

¹ These payments may be made directly to beneficiaries by a general government agency. They may also be made by the employer himself (in an enterprise), but in this case there must be a compensatory payment from the public authorities given in the form of a subsidy.

² With the exception of removal and installation allowances for unemployed persons who have agreed to move house and work in another region. These benefits are classified under the function 'Placement, vocational guidance, resettlement'.

- (c) wages and salaries paid for occasional and temporary work (often seasonal) organized by public authorities, in so far as these wages and salaries replace unemployment benefits;
- (d) the payments known as early retirement pensions and effected in accordance with legal provisions or regulations, where the main aim of the measure taken is to improve the protection of the unemployed persons at the time when this protection is coming to an end (e. g. keeping the person's name on the unemployment register, the possibility of return to employment at a later date, although perhaps in another activity);¹
- (e) other expenditure on social assistance to unemployed persons.

535. This function does not include medical care² given to unemployed persons and to members of their families.³

Housing function

536. This function includes payments made by general government on behalf of certain categories of households — in particular, those with limited means — in order to help to pay for the use of their accommodation.

It covers:

- (a) cash benefits paid directly to households (tenants or owners);
- (b) subsidies paid to private owners or to public bodies which own housing, in so far as they are expressly intended to compensate for a loss of income due to the imposition of reduced rents on behalf of tenant households.

537. This function does not include all those general measures (even if they are organized by general government bodies) aimed principally at encouraging building construction, such as building subsidies, bonus payments on savings for housing purposes, subsidies intended to compensate for reductions in the interest rates on building loans, etc.

Miscellaneous function

538. This function includes:

- (a) benefits which, as they are linked to several other functions at the same time, cannot be allocated to any one of these functions, even as estimates;
- (b) benefits relating to areas other than those covered by the other functions but whose purposes are similar to those of social protection in the wide sense:
 - 1) assistance for destitute persons, in so far as the contingency responsible for their lack of resources cannot be classified under another function (old age, family, etc.);
 - 2) expenditure effected in the context of social assistance measures aimed at combating poverty;
 - 3) expenditure on behalf of children and of juvenile delinquents (reintegration, etc.), with the exception of educational measures;

¹ These remarks are designed to enable benefits to be classified under the function 'Unemployment' or 'Old age' as appropriate.

² See the first footnote to the function 'Sickness'.

³ These benefits are classified under the function 'Sickness'.

- 4) compensation payments and other benefits in cash or in kind not classified elsewhere, for victims of political events or natural disasters;
- 5) legal aid and assistance to victims of criminal violence;
- 6) other forms of social assistance for persons without means, the homeless and the socially handicapped (drug addicts, etc.).

N. B. — This is a limitative enumeration.